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GENERAL

Analysis of Recent Changes in Soviet-Japanese Relations

40050561 Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese No 2,
13 Apr 89 pp 42-45

[Article by Zhang Yaohua 1728 3852 5478: "Soviet-Japanese Relations Under Takeshita"]

[Text]

Since Gorbachev came to power, the Soviet Union has made changes toward Japan ranging from understanding to action, actively seeking to improve bilateral relations. As for the Japanese side, it both hopes to break the deadlock in bilateral relations as well as seize an opportunity to pressure the Soviet Union into giving concessions. The greatest barrier to improved Soviet-Japanese relations is the issue of territoriality. There will be a breakthrough and fundamental improvement in Soviet-Japanese relations only once the territoriality issue is resolved.

The eighth regular consultation between the foreign ministers of the Soviet Union and Japan was finally held at the end of 1988 after an interval of some 2 years, 8 months. Each side had plans for the bilateral meeting: The Japanese side hoped for a breakthrough in the northern territories issue, while the Soviet side hoped to make headway in bilateral economic cooperation. The outcome of the consultation proves that neither side attained its anticipated goals. However, both sides appraised it because they decided to establish a standing body at the vice-ministerial level to discuss the territorial issue. Japanese Prime Minister Takeshita said that the foreign ministerial consultations "are a big step toward promoting bilateral relations." Japan's Kyodo News held that, "under the development trend toward detente in bilateral relations between the Soviet Union and the United States, Europe, and China, the formerly consistently deteriorating Soviet-Japanese relations are finally standing on new ground." And Soviet Deputy Foreign Minister Rogachev contends "a new chapter in Soviet-Japanese relations is being written." This is a natural tendency in bilateral relations that has evolved since Gorbachev came to power, and in particular since the Takeshita cabinet was set. It shows that there is a thawing in the bilateral "postwar frigidity" of the late 1970's and early 1980's which will influence international developments.

1. Changed Soviet Methods Show a Certain Flexibility

In the four years since Gorbachev came to power, there have been changes in the Soviet Union with regard to Japan, from understanding to action. Japan's position and role in Soviet foreign policy is continuously improving.

For a long time now the Soviet Union has consistently promoted a foreign policy of "giving precedence to

bilateral relations with the United States." Gromyko said, "the Soviet Unions' relations with the United States win out over all others." Since Gorbachev came to power, there have been changes in Soviet foreign policy. He advocates "new thinking" in foreign policy, wanting to change many traditional lines of thought and traditional political thought processes in foreign policy. He does not regard international society as a simple bipolar world. Rather, he sees it as multifaceted. Gorbachev has said that the world is a "complex, variegated, commonly changing" entity, and that the world "is not limited to the United States, so we cannot observe the world from a simple Soviet-American bilateral perspective, but must consider the participation of other countries as actors in international affairs." Soviet foreign policy must be established on a broad base. In December 1984, Gorbachev published a speech at a meeting of the All-Soviet Ideological Conference in which he said, "There have been clear changes in the economic and political relations of the postwar capitalist world in the late 1970's and early 1980's. The crucial point is that the United States is gradually losing its controlling economic and political position"; and, "the new powers of mainly Japan and Western Europe are encroaching on the position of the United States." Thus, Gorbachev has actively sought to improve relations with Japan since coming to power and has often published speeches revealing his hopes in this regard. After Japan was listed as one of the world's three major centers of capitalism at the party program of the 27th Soviet Communist Party Conference, showing a desire to actively develop relations with Japan, in a report to the 19th Soviet Congress, Gorbachev stressed "we must find a way somehow" to resolve differences between the Soviet Union and Japan. At a speech in Krasnoyarsk in 1988, he again clearly revealed the Soviet Union's political plan to stress relations with China, Japan, and the United States in that order, while generally developing bilateral relations with various countries, showing further ardor for seeking to normalize Soviet-Japanese relations. Gorbachev feels that "Japan is an independent element in the Soviet Union's international policies"; and, "to develop relations with Japan" is "one factor in the Soviet Union's long-term, long-range policies." Therefore, beginning with Takeshita, the Soviet Union "has paid close attention to" policy changes in Japan with regard to the Soviet Union, "groping for concrete methods to improve Soviet-Japanese relations." In the postwar period, this is the first time Soviet leaders have made their position known so clearly and frequently.

Beginning in May 1988, in order to promote the new policy towards Japan, the Soviet Union has actively developed its diplomacy toward the country, successively inviting to visit the Soviet Union Japanese Socialist Party Chairman Doi Takako, Japanese Communist Party Vice Chairman, Japanese Diet House of Representatives Foreign Affairs Committee Chairman and LDP Congressmen Yama, as well as former Japanese Prime Minister Nakasone. Concurrently, the Soviet Union commonly sends delegations to visit Japan to

work in various capacities in Japan. Moreover, Gorbachev's brain truster, Y. Primakov, often goes to Japan seeking Japanese understanding and cooperation, indicating that the Soviet Union wants to improve relations with Japan.

In recent years, the Soviet Union has changed its former ossified methods of exerting foreign policy and military pressure upon Japan. Regarding the territoriality issue, in the past the Soviet Union was unyielding. Whenever the Japanese side raised the issue, the Soviets immediately retreated, refusing to discuss the matter with Japan. Now that there are joint bilateral discussions between the two, each can have its say. While the official Soviet view is to deny the existence of the territoriality issue, thanks to the designs of scholars and common people in continuously bringing up "joint management" (namely, a type of management in which neither the Soviet Union nor Japan would have authority over the four northern islands but there would be a bilateral, legal "communal land") and "trusteeship by the United Nations" (bilateral Soviet-Japanese authority over the four northern islands, with political authority yielded to the UN Security Council), they are sounding out Japanese reaction. Concerning economic and technical exchanges, the Soviet Union has taken the positive measures of opening free cities, experimentally establishing special economic zones, and greatly liberalizing issuance of commercial visas. The Soviet Academy of Sciences has also decided to open a new Far Eastern branch with the aim of establishing cooperative relations with the countries of the Asian Pacific and Japan in particular, in order to realize the application of the fruits of joint research, promote the development of joint undertakings, and develop the Far East. Regarding military affairs, besides not interfering with or censuring Japan, it has gone so far as to suggest bilateral consultations on defense. In order to make a peaceful offensive, the Soviet Union has also showed that it may consider "unilateral announcements" of Soviet military activities.

The Soviets are anxious to improve relations with Japan for these main reasons:

A. To manifest its "accelerated development strategy," the Soviet Union emphasizes independent national strength, protects its superpower status, and urgently seeks to have a relatively long-term peaceful international environment. After winning clear progress in improving relations with China, if the Soviet Union can truly improve relations with its eastern neighbor, Japan, then it will further ensure a peaceful environment in the Soviet Far East.

B. Japan now ranks in the forefront of global economies and technology. With a GNP [gross national product] of \$2 trillion, it surpasses the Soviet Union. The Soviet Union is compelled to cooperate with Japan in order to improve its economic and technological position. It mainly eyes gaining Japanese economic and technological assistance.

C. To enhance its relations with the global economy, besides active motions in that regard, the Soviet Union seeks to participate in GATT, the World Bank, and the IMF. On 15 Mar 1988 it established a Soviet Committee on Asia-Pacific Economic Cooperation as a first step toward joining PECC, taking active participation in Asia-Pacific economic cooperation as a component part of its new Asia-Pacific policy. Should Japan obstruct things from within PECC [Pacific Economic Cooperation Conference], this would make it difficult for the Soviet Union to give free rein to its talents in the region as well as prevent it from reaping economic material benefits. The Soviet Union seeks to make improving Soviet-Japanese relations one of the breakthroughs by which it will participate in Asia-Pacific economic cooperation and energetically promote its new Asia-Pacific policy.

2. Japan Wants To Break Deadlock, Seize Opportunity To Pressure Soviet Union To Yield

Breaking the deadlock in relations with the Soviet Union has been an unsettled issue in the foreign policy of all previous Japanese Governments. The Nakasone cabinet took improved Soviet-Japanese relations as an important task for Japanese diplomacy. Since the start of the 1980's, although Japan has increased anti-Sovietism, it has not thrown away the opportunity to engage in dialogue with the Soviet Union. Nakasone repeatedly emphasized that "It is dangerous not to maintain a channel of dialogue with the great adversary, the Soviet Union." Takeshita said "It is urgent for Japan and the Soviet Union to cooperate for the peace and stability of the Asian Pacific." He also said, "In order to establish good East-West relations, I want to talk with General Secretary Gorbachev about how both countries can make contributions to Soviet-Japanese relations." If Takeshita can make a foreign policy breakthrough in relations with the Soviet Union, not only would this consolidate his diplomatic position, but further, it would be advantageous to making Japan a "political power," an "international power," expanding Japan's influence in foreign policy and improving relations with eastern Europe. In another regard, Japanese parties not in power also hope to get results in making progress in Soviet-Japanese relations. Compared to earlier, their attitude is more positive. Economists and some scholars and experts call for making feasibility plans to improve bilateral ties via economic exchanges, conferences, reciprocal visits, and so on. A public opinion survey shows that 84 percent of Japanese citizens wish to improve relations with the Soviet Union. Under such circumstances, the Japanese Ministry of Foreign Affairs is trying to study policy toward the Soviet Union and officially take the initiative to break the bilateral deadlock.

Thanks to mutual efforts on both parts, there has been a certain improvement in bilateral relations since Takeshita came to power. Dialogue has clearly increased, foreign ministerial consultative conferences met as scheduled, and a Soviet-Japanese joint communique was issued. Exchanges in the area of economic trade are lively. Although bilateral trade had been at a low tide

until the 1980s due to political factors in each country, falling from \$5.6 billion in 1982 to \$4 billion in 1984, and Japan has fallen from first to sixth place among Western countries in trade with the Soviet Union, in line with the opening of channels of bilateral political dialogue, in 1986 bilateral trade between Japan and the Soviet Union rose back up to \$5.1 billion. In 1987, because of the affects of the Toshiba and the Yokosuka Base incidents, trade volume fell back down to just over \$4 billion. In 1988, it rose to \$5.9 billion, up 19.9 percent over 1987, a record high. Bilateral trade is forecast to be even higher in 1989.

Although this is so, compared to the Soviet Union, Japan's attitude is still clearly not rash and is somewhat unyielding. For example, in late October 1988, Japan repeatedly delayed preparing the schedule for its autumn visit of the government and civilian joint economic delegation to the Soviet Union. Further, in regard to the Soviet Union's desire for joint research and development with Japanese industries and academia on 21 cutting-edge scientific areas including superconduction and nuclear fusion, Japan is adopting a cautious attitude, tactfully refusing because the matter "has to be fully studied."

The Japanese Government's actions are based mainly on the following considerations:

A. As for the psychology of acting on the Soviet Union's desire for detente with the West and improved bilateral ties to Japan, on the one hand by upholding the idea of first resolving the territoriality issue and adopting an attitude of "you're anxious but I'm not," Japan compels the Soviet Union to be determined to make concessions as early as possible. On the other hand, by seizing the opportunity to internationalize the northern territories issue through seeking people's understanding and support by way of visits, Japan borrows the overall pressure of the West to enhance its position in negotiations with the Soviet Union.

B. Japan is still very wary of the Soviet Union. The Japanese Ministry of Foreign Affairs holds that, "although Soviet attitudes are warmer than in the past" and there are "signs of change," "one cannot say things have already changed." A Japanese government official recently pointed out that, while wanting to approach Japan to promote joint undertakings and other types of economic cooperation, the Soviet Union has upgraded its naval force in the Far East, which includes Japan. Japan is still wary of various Soviet pronouncements regarding territory issue of the four northern islands. It worries that the Soviet Union will strive to use them as a measure to force Japan into economic cooperation. Once Japan participates in Siberian development, the territorial issue may again be shelved. The *Japanese Government 1988 Diplomatic Blue Book*, published in November 1988, said "antagonistic relations between East and West will basically continue, and tensions will not be eased," and, "the Soviet Union will continue to increase its military power in the northwest Pacific in

terms of both quality and quantity... at the same time, it will launch various peaceful offensives on the countries of Asia and the Pacific, aiming to enhance its strategic position in the Far East and expand political influence while weakening American military and political influence in the region." Therefore, Japanese foreign policy "must turn economic power into strong political power," while bearing a responsibility for "American global strategy."

C. The Soviet Union offers little economic charm for Japan. Japan gradually has lost its earnestness of the 1970s for developing Siberia due to global supply and demand changes in resources and energy resources. After the "Toshiba incident," COCOM [Coordinating Committee on Export Controls] tightened its restrictions on trade developments with the Soviet Union. The United States also indicated its dissatisfaction with Japanese provision of loans to the Soviet Union. Further, Japan's attitude toward cooperation with the Soviet Union is negative; it "cannot see many economic advantages to it." Soviet reforms are just beginning. The investment environment is poor. Foreign exchange is tight. There are many restrictions. Moreover, many businessmen feel "it will take at least 5 years of observation of practical actions before one can tell whether the Soviet Union is really reforming or not."

3. Difficulties and Prospects for Improved Relations

The territorial issue is the major stumbling block to improved Soviet-Japanese relations.

From the Soviet perspective, 1) The four northern islands involve its strategic interests. In line with the enhanced strategic position and role of the Sea of Okhotsk, in order to defend its strategic nuclear submarines deployed there, the Soviet Union hopes it will become an "inland sea" from which to observe and defend against the entry of American attack nuclear submarines and Japanese antisubmarines in the Pacific. Furthermore, the four northern islands control the sea lanes between Okhotsk and the Pacific. Thus, it will be no easy matter for the Soviet Union to let go of the islands. 2) If the northern territories were returned to Japan, this would have a negative reaction in Europe, which would be extremely disadvantageous to the Soviet Union. In addition, the territorial issue involves more than just the Soviet Union and Japan. It also involves the Soviet Union's "millstone"—the nationality issue. Some people in the Soviet Union feel that if it should yield to Japan on this issue, this may give more courage to those who would stir up nationalist independence movements, stirring up dissatisfactions with the Russian nationality, thereby exacerbating domestic nationality conflicts in the Soviet Union. Although this may be a bit exaggerated, it does reflect one attitude in the Soviet Union. 3) Some people in the Soviet Union have made tentative proposals regarding the four northern islands issue. The Soviet Union officially denied them afterwards, but this at least proves that Soviet opinion on the matter is vacillating or is far from unanimous.

From the Japanese perspective, 1) Up until now, Japan's so-called consistent policy of "return the four islands as one" was due mainly to the unanimous advocacy of all political parties in Japan, including those in and out of power, for returning the four islands all together. This has been the long-cherished wish of the Japanese people, so it is difficult to retreat. 2) Under the circumstances of antagonistic relations between East and West, Japan is a member of the West and an ally of the United States. It can use the northern territories issue as a card for the West in dealing with the Soviet Union.

A short while ago, as the outcome of the Soviet-Japanese ministerial conference showed, although the four northern islands involve the fundamental interests of each, the bilateral stand is still antagonistic. Just before the Soviet foreign minister was to return home, he told a reporter he met that he regarded the territorial issue as a "sore point" in bilateral relations, indicating that in the future he hopes for a new line of thinking to cure it. It can be contended that the Soviet Union now actually understands that there is a territoriality issue, and that it will not be easy to fulfill the joint Soviet-Japanese declaration as Japan requested during Tanaka's 1973 visit to the Soviet Union. Given that Japan maintains an unyielding stance on the matter, to hurriedly improve bilateral ties, the Soviet Union has to leave itself an out. It has to refrain from talking itself out while awaiting a relatively large future retreat. Japan sees that the territorial issue will not be solved over night. It may also allow the Soviet Union to save some face so as to attain a relatively more ideal plan in the future. From the long-term view, in line with the international trend of detente and developments in that direction, Soviet-Japanese mutual needs must increase further. It is possible that they will mutually consider readjusting their own policies and compromise on this issue, opening up a path for further development in bilateral relations. Tentative proposals that we already have clues about and can suggest for the future include: 1) Have the Soviet Union withdraw troops stationed on the four northern islands and freeze the status quo, and then gradually resolve the issue of returning the territories through negotiations. 2) Put the four islands under joint control and use, or have one side manage them but both sides commonly use them. 3) First return two islands and have joint management and use of the remaining two, or have one side manage them but both sides commonly use them. 4) Let Japan spend money to buy back the four islands through economic assistance or other means.

Although the northern territories issue will still be the greatest obstruction impeding the development of Soviet-Japanese relations, in the future high-level dialogues between the two countries may become more frequent since both sides still have need for them, and there may be relatively great developments in economic and other concrete relations. 1) A visit to Japan by Gorbachev may materialize in 1989. Bilateral ties have never moved forward since the restoration of diplomatic

relations in 1956. Until now, four Japanese prime ministers have visited the Soviet Union, while not a single Soviet leader has been to Japan. To break the deadlock, the Nakasone cabinet invited Gorbachev to Japan many times, but, for a variety of reasons, he could never make it. At the Soviet-Japanese ministerial conference a short time ago, Soviet Foreign Minister Shevardnadze said "the general secretary's visit has been put into his political agenda." If he actually does visit Japan, this will undoubtedly be a great turn for the better in bilateral ties. At present, the Japanese Government is actively creating an atmosphere, preparing to find a way to bring about Gorbachev's visit. It already takes his visit as one major kind of "invitational diplomacy" in receiving foreign heads of state in Japan. Before the fact, former Deputy Prime Minister Kanemaru Shin will visit the Soviet Union as Takeshita's special ambassador to the Soviet Union. 2) To encourage improved bilateral economic cooperation, the Japanese Government has agreed to guarantee timely investment in the Soviet Union by promoting investment by civilian enterprises. 3) In line with the continuously improving bilateral atmosphere, within the year Japan may set a schedule for large-scale official joint economic delegations to visit Japan. 4) It is estimated that an agreement will be reached in the first half of 1989 on preparations for a 10-story-plus, large-scale high class hotel to be built in Moscow at a Japanese investment of 12 billion yen.

In sum, there will be breakthrough developments and basic improvement in Soviet-Japanese relations only if the northern territory issue is fundamentally resolved. At that time there may be a new situation in the international political and economic relations of northeast Asia.

SOVIET UNION

Report on Soviet Handling of Tbilisi Incident

40050558 Beijing SHIJIE ZHISHI [WORLD KNOWLEDGE] in Chinese No 10, 10 May 89 pp 12-13

[Article by Zhou Shan 5927 1472: "Tbilisi Incident Stabilized"]

[Excerpt] [passage omitted] After the tragedy occurred, the central government leadership of the Soviet Union immediately dispatched to the scene to handle the matter the locally popular Politburo Chairman and Foreign Minister Shevardnadze together with Central Committee Secretary Georgiy Petrovich Razumovskiy. General Secretary Gorbachev issued a notice to the Georgian people. Sending a condolence telegram to the bereaved, he proclaimed 11 April as a day of mourning in the republic.

Gorbachev repeatedly stresses that "democracy is the soul of restructuring." In essence, the most difficult task facing restructuring—regardless of whether it is political or economic—is resolving the democratization issue. Shevardnadze noted that Soviet society lacks a democratic tradition; it has never developed a process for

political debate, and the legal basis for consultative political activities is fundamentally flawed. Democratization of the Soviet Union began from a low starting point: "We have hastily entered the social field where the sprouts of democracy have just begun to take root...if these sprouts are trampled underfoot by sharply violating the authority of the Constitution and the law, then they will be unable to grow healthy and strong." And, "the leadership of the republic used arms and imposed a curfew, acts that are inconsistent with restructuring the political and economic systems, the growth of democracy, establishing socialist ideals and value systems, and the process of setting up a country ruled by law, which are now under way. This proves that both the leadership and the masses lack experience in implementing democracy. Therefore, the people very clearly understand that if we do not remedy these pitfalls, it will be very difficult for the reforms to succeed."

International public opinion noted that the highest Soviet leaders adopted unusual methods to handle this incident. First, they dared and desired to engage in frank dialogues with the masses. They held that sole reliance on regulatory constraints to control the actions of thousands and hundred thousands of people would make it difficult to correctly resolve the issue. Shevardnadze and Razumovskiy had wide-ranging contacts and dialogues with party and government leaders, activists, youths and students, intellectuals, and urban residents in Tbilisi. They patiently made their proclamations known. They also had fierce debates. From start to finish they put themselves among the people, analyzing with them the causes of the tragedy and the proper attitude to adopt. At the same time, the banners clearly noted that responsibility for the tragedy lay with the local leadership. These leaders sought help from the military. It is wrong to converse with the people from behind tanks. On the other hand, however, they also pointed out that the appearance of tanks on main streets and imposition of curfews was "unusual, making people unhappy"; still, it was "not too unusual," compared to the choice of paralyzing the lives of several hundred urban residents, breaking down responsible organizations, and having dangerous people around. They said that the cadres should be made to understand that, regardless of whether

one likes it or not, under democratic conditions, parochialism, prejudices, and reluctance to tolerate different opinions are dangerous. It is necessary to commonly associate with people of opposing viewpoints, to talk with them, and lend an attentive ear to their opinions. "Even if you plan to use tanks to defend democracy and reform, you must inform the people beforehand and allow them to thoroughly prepare for it."

The leaders sent to Georgia sternly denounced the few people who selfishly sought to hoodwink the masses. They noted that the heads of several unofficial organizations pursued personal greed while sporting the flag of democracy, sacrificing the people who trusted in them. The leaders held that these crimes must be ferreted out without letting any escape, in order to severely punish the perpetrators. Only by isolating the pawns that harm the masses can they can be prevented from achieving their treacherous aims. Regarding the resignation of local leaders, they pointed out that this is an example of morality. The first secretary made the decision to resign entirely on his own. No one at all persuaded or suggested his doing so, an unprecedented action. They also explained procedures for future military alerts to maintain order, noting that these are determined by the government leaders of the republic, and not by their own desire to enter the streets of the city, thereby dispelling the people's censure of the military alert. In sum, all concerned with the conflict received just appraisals. Thereafter, the explosive situation was very quickly stabilized.

In line with the demands of the people, tanks were withdrawn and the curfew was suspended beginning on the 18th. Organizations, schools, enterprises, and collectives voluntarily organized to maintain order, ensuring that they would not allow similar incidents to recur. Shevardnadze also assured the masses that he would carry out a thorough, objective investigation of the tragedy and inform the people of the real facts. Shevardnadze said with regret, "Engaging in a dialogue with the people of one's own country is far more difficult than doing so with one's adversary on the international stage." The leadership and the people must improve their accomplishments in using democratic rights and peaceful dialogue.

Yan Jiaqi Discusses Leadership, Rule of Law
40050406 Beijing XINHUA WENZHAI [CHINA
DIGEST] in Chinese No 1, Feb 89 pp 134-137

[Article by Yan Jiaqi 0917 1367 0366: "Part II—
Democracy the Only Road to Prosperity for China";
Part I published in JPRS-CAR-89-074, 19 Jul 89]

[Text] 8. "The Theory of Two Kinds of Cultural
Elements"

The vehement attacks on "humanism" in the early 1980's cast a dark shadow over China's world of thought. This state of affairs set me thinking long and hard about the cultural elements of a nation or country. Traditionally, an idea must be certified as "Marxist" or "consistent with Marxism" in order to be allowed to be disseminated in China. To propagate "humanism," some thinkers set about advocating "Marxist humanism." However, a number of "theoretical authorities" wanted to monopolize truth using their power. As self-appointed defenders of Marxism, they declared humanism a "bourgeois ideology" and mercilessly castigated it. The fact is that humanism predated Marxism in the world of ideas and is a universally cherished value. As I pointed out in my article "On Reconciling Two Kinds of Cultural Elements" published on 17 January 1986, "Two kinds of cultural elements can be found in any nation. One kind consists of the nation's own traditional culture. The other consists of cultural elements that are common to the entire human race and that transcend national boundaries. The latter came about as a result of a rising level of human understanding and the development of social management technology. As international and global communication increased, the second kind of cultural elements came to occupy a more and more important place in national cultures. Needless to say, diversity is a basic characteristic of culture. No increase in cultural exchange will obliterate the cultural differences in the world. The existence of 'secondary cultures' of every description is a permanent phenomenon. The differences in values, level of understanding, and social management technology between nations have created their various cultural differences and will continue to ensure such differences." On 17 December of the same year, my article "On Introducing and Absorbing Cultural Elements Common to the Entire Human Race" was published in ZHONGGUO WENHUABAO. I wrote, "In the vast, boundless world of ideas, there is, besides Marxism, all manner of natural scientific and social scientific thought. There are artistic and religious ideas. In addition, there are all kinds of rational and nonrational ideas. This is the 20th century, not the Age of Reformation. There is no need to consider the 'second kind of cultural elements,' the fruits of the progress of human civilization, as the development of Marxism or its component, or to disseminate it in the garb of Marxism. Many ideas in mathematics, chemistry, physics, political science, economics, and sociology are scientific and are a part of human spiritual civilization. We need not disseminate them dressed as Marxism. Non-Marxism refers to the area outside of Marxism. In

fact, not only do natural scientific theories exist outside the realm of Marxism, but many social scientific theories are also outside Marxism because they have a different set of objects of study." The article was written on the eve of the "anti-bourgeois liberalization" movement. It criticized the practice of renouncing cultural elements common to all mankind in the name of "protecting Marxist purity."

China, which closed itself to international intercourse in the past, was reluctant to admit that there were common cultural elements. After losing the Opium War, it began to recognize that science and technology were "common cultural elements." But even then it refused to see that there were other "common cultural elements" besides science and technology. The idea of using "Chinese learning as the base and Western learning for practical purposes" was a reflection of this mentality and a rationalization of China's rejection of foreign culture in modern times. I wrote in the article, "The idea of 'common cultural elements' has repeatedly been renounced in China. It is one important reason why the backward elements in Chinese traditional culture have been able to survive so long. 'Protecting the purity of Marxism' can be said to be a modern reincarnation of the idea of taking 'Chinese learning as the base.' About the relationship between 'humanism' and Marxism, some people insist that they are mutually exclusive and that, as a world outlook, humanism is a bourgeois ideology. In my opinion, humanism is a cultural achievement shared by all mankind that transcends national boundaries and the divisions between peoples. Humanism is a philosophy that places man and his values before all else. As a body of thought, humanism has two characteristics. First, it cherishes man and his values. Life, nature, love, honor, knowledge, talent, freedom, and happiness are all human values. To a humanist, to cherish man and his values is to admit the rationality of such human desires as the 'passion for life and nature,' 'the pursuit of love and honor,' the 'regard for knowledge and talent,' and the 'quest for freedom and happiness.' Second, humanism places 'human nature' and 'shared humanity' above social differences. Humanism does not deny that there are social differences between human beings. It does not regard all men in society as the same. It recognizes that men can be divided into noblemen and commoners, clerics and laymen, merchants and craftsmen, and that people differ in social status, thought, quality, and behavior. Be that as it may, humanism places man's common humanity above his social differences. Humanism does not preach universal love. In the eyes of a humanist, all phenomena that violate humanity should be condemned and opposed. Humanism does not treat everybody alike. Nor does it hold that all men are endowed with an equally noble character. Humanism extols the passion for life and nature, the pursuit of love and honor, the respect for knowledge and talent, the lust for freedom and happiness, and even people with a spirit of self-sacrifice, while mercilessly castigating dishonesty, ignorance, arrogance, and corruption. In *Quatrevingt-treize*, his masterpiece

eulogizing humanism, Victor Hugo said of [?Landenague 6745 1795 4780 0344, leader of the royalists, and [?Guerin 6753 2429], the commander who represented revolution, 'Above the absolutely correct revolution there is an absolutely correct humanism.' Humanism, therefore, is more than a body of thought that has a high regard for man and his values and that extols freedom and happiness. It is also a philosophy that places humanity above social differences, class antagonism, and even revolution. It is a cultural element common to all mankind. It transcends national boundaries and divisions between peoples." I enunciated these viewpoints because I was convinced that how much progress China could make was directly proportional to its degree of openness to the outside world and the extent to which it recognized and accepted the existence of "common cultural elements in human civilization."

9. The Writing and Publication of *Leadership*

After entering the "kingdom of political science," I devoted myself to the research, discovery, exploration, and dissemination of "common cultural elements" in the political arena that transcended national boundaries. Accordingly, I studied systems of government in nations around the world, the tenure of heads of state and heads of government, and the political theory of leadership. The products of these three pieces of research were three books: *Systems of Government in Nations* (published by Renmin Chubanshe in 1982), *Life Tenure and Limited Tenure* (Liaoning Renmin Chubanshe, 1984), and *Leadership* (Shanghai Renmin Chubanshe, 1986.)

Science is a world of three no's—no taboos, no idols, no summits. To a scientist, everything that seems inexplicable can be explained. Otherwise, man will simply stop exploring. Political phenomena can be the objects of scientific research, no matter how intricate and complex they are. So can the behavior of leaders, however irrational it may be. In the foreword to my book *Leadership*, I quoted some lines adapted from a passage by Machiavelli:

"To describe the ridges and peaks of mountains, you have to stand in the valley and on the plain. To get a bird's-eye view of the vast plain, you must climb to the peak. To thoroughly understand the people, you must scale the heights of power. To truly understand the ruler, you have to be among the people standing on the endless stretch of land."

I am one of the people standing on the vast land. That is why I was able to write *Leadership*. *Leadership* is a study of almost 500 kings, emperors, czars, sultans, caliphs, presidents, and prime ministers in hundreds of nations in different ages. It examines the power of leaders and different types of power, the avenues that leaders take to obtain supreme power, the theory and art of power maintenance and governance, and the change, transfer, and succession of power. As the rules governing the change of supreme power change, so does the behavior of leaders and, hence, the form of power struggle. *Leadership* also explores the marriages and families of leaders,

the influence of their personalities and characters on politics, and the ways leaders lose power and die. The last section of the book explores the theory of the stability of political systems in history and attempts to determine what kind of political system and leadership behavior contributes to political institutional stability.

In writing *Leadership*, I researched the relationship between leaders and history. Leaders do not exist in a vacuum; both their achievements and failures are closely related to the historical circumstances in which they find themselves and the social environment as well as their own qualities, character, and temperament. Historical materialism holds that the development of human economic society is a natural historical process. Although a leader holds power in his hands and behaves according to his motives, he cannot rise above the constraints of historical conditions and the real world around him to "create history." The longer the period of history under examination, the clearer the decisive impact of economic and social conditions on historical development and the less able a leader is to influence the overall trend of historical development. On the other hand, when the period of history under examination is short, we can clearly see the critical importance of a leader and some other individuals in shaping history. Sometimes even his quality, character, and disposition could influence the course of history. There have been many great eminent figures in human history. But not all leaders were towering personalities. People often ignore what a man did before he became a leader. Some leaders displayed a moral nobility in their love affairs, marriages, friendships, and other interpersonal relationships. Others acted in a manner that would shock you. Because of their vision, passion, and a strong sense of responsibility, some leaders became great statesmen. Others, more mediocre, ended up achieving little. The scientific study of leaders, I believe, would help people discard some of their traditional ideas about leaders and replace leader worship with people worship. This would contribute to the pursuit of peace and a happy life by the people.

Soon after *Leadership* was published, the early spring of 1987 was upon us. It was an unnerving time. But it was exactly in that climate that *Leadership* circulated far and wide across the land. It was reprinted six times in 1987 and sold 310,000 copies. It also won the 1987 "Extensive Reading Golden Key Award." After its publication in Shanghai, China Bookstore in Hong Kong and Yuanliu Publishing Company in Taiwan brought out its overseas and Taiwan editions, respectively. It was judged to be "one of the ten most influential books in Taiwan in 1987" by the Jinshi Cultural Forum in Taiwan.

As I said in the book's foreword, *Leadership* is dedicated to all heads of state and heads of government now in office around the world and to all people who hope to become leaders. In September 1986, when it was just rolling off the press, I dedicated it to the premier of our republic, Zhao Ziyang. On 4 February 1988, I was received by President and Mrs Reagan, along with several other guests from Japan, Fiji, and Somalia, before a

breakfast meeting at the Washington Hilton Hotel. I presented a copy of my book to President Reagan.

10. "The Road to Prosperity and Power"

A basic theme in *Leadership* is that all human beings, including leaders, are fallible. Although the different dynasties in China's ancient history had different political systems, they were all based on the premise of the "infallible man." As soon as serious problems appeared in Chinese society, the Chinese people immediately longed for emergence of a perfect, saintly figure who would work hard to turn the situation around. Complicated as it was, the Cultural Revolution had a very simple guiding idea: find an infallible leader to inherit supreme power. It was the disastrous results of the Cultural Revolution that finally began to undermine such an idea. Gao Ben [7559 4108] and I wrote in *A History of the 10-Year Chinese Cultural Revolution*, "A nation that can learn nothing from a disaster is doomed." At long last, our nation began to review and learn from the Cultural Revolution. The starting point of political reform in China is to admit that no man is infallible. Since man has all sorts of weaknesses and shortcomings, he must be subject to institutional restraints.

In March 1988, I was invited by TA KUNG PAO to go to Hong Kong to help celebrate the 40th anniversary of its resumption of publication. Liu Xinwu [0491 1800 2976], the famous writer who is also chief editor of RENMIN WENXUE and a member of the Standing Committee of the All-China Federation of Youth, and I addressed the gathering. The theme of my speech, which was titled "How China Can Become Prosperous and Powerful," was the relationship between human fallibility and political and economic systems. I said, "A basic conviction in this speech is that truth is actually a very simple thing and is comprehensible to the people. I don't think China's road to wealth and power lies through a complicated set of arrangements. To be prosperous, the Chinese people must depend on their own wisdom and their own two hands. If they do not know what they can do, or how, and fail to see the road that will take them gradually to prosperity, then I think China will not become rich and powerful."

If China is to be wealthy and powerful, the most important thing is to mobilize the initiative, enthusiasm, and creativity of each individual. Chinese society has long been a "highly administratively controlled society." That is, it is "highly dependent on control through administrative orders." Every person is subordinate to another person and every organization is subordinate to another organization. What an individual can do depends on another person and what an organization can do depends on another organization. Chinese society is one in which people await orders before making a move. To govern this kind of society properly of course requires capable, learned, and experienced leaders of a high caliber at all levels. Yet this kind of "highly administratively controlled society" is

not one governed by the "rule of law." It rests on the search for an "infallible leader." In such a society, every locality, organization, group, or individual develops a psychology of dependency, incapable of making decisions independently. In my opinion, the recognition or otherwise of the fallibility of man determines whether a nation or a region can establish the "rule of law." Behind the rule of law is the notion that the law is supreme to which political parties, government, enterprises, organizations, and individuals must subordinate themselves. The law defines the norms of human behavior. Generally speaking, there are three kinds of legal norms: mandatory norms, which lay down what you must do; prohibitive norms, which specify what you cannot do; and selective norms. Within the limits allowed by selective norms, political parties, government, enterprises, organizations, and individuals are free to make decisions independently. Enterprises, organizations, and individuals have decisionmaking power that they can exercise independently from the party or government, and local governments can do likewise vis-a-vis the central government. This kind of independent decisionmaking power enables the decisionmaker to project the consequences of its own action, on the one hand, secure in the knowledge that behavior in compliance with the law will be protected by law and will not be punished. On the other hand, because man is fallible, his decisions may also lead to errors as a result of negligence or carelessness. So we need the law to reconcile interests with obligations and solve all kinds of disputes and conflicts expeditiously. China today is not yet a country under the rule of law. That is why we need reform. Because the rule of law is not yet well established in China, leaders at all levels often find themselves meddling in minute details, making decisions on each and every mundane problem. When the limits of decisionmaking by leaders are not clearly drawn, layer upon layer of impossibly tedious and even mutually inconsistent orders effectively negate selective norms. The lack of jurisdictional differentiation between party and government, government and enterprises, central and local authorities, and administrative organizations and social organizations often dissuades tens of thousands of mayors, county chiefs, village heads, bureau chiefs, departmental chiefs, section heads, factory directors, managers, and school principals from making decisions independently. An extremely serious institutional malady in China today is the tendency by people to "ask for instructions." If we do not put an end to this state of affairs, cities, villages, factories, and schools will be unable to develop steadily on their own. The prosperity of China depends on the development and growth of each city, each village, each factory, each school. China today is saddled with countless repetitive, elaborate, and mutually inconsistent orders. As long as this rule-of-man situation is not turned around, China will not become truly prosperous and powerful. The prosperity and stability of the entire nation also depends on putting the Constitution and the law to work to guarantee the right to independent decisionmaking by governments at all levels, all enterprises, all organizations, and all individuals.

This is the only way to make society vital and efficient and to mobilize the enthusiasm in each one of us.

Recognizing that "man is fallible" is also a cornerstone for the introduction of democratic politics. To practice democracy, we must first admit that men can make wrong decisions. In an organization or community where not everybody sees eye to eye on goals and values, democracy means making decisions based on the wishes of the majority in accordance with predetermined procedures. The practice of democracy often requires people to admit errors. When a majority realizes that the original decision was wrong, the mistake can be rectified through predetermined procedures. Of course, some procedures may make it impossible for a certain error to be corrected immediately, in which case democracy requires that we put up with it for a limited duration (needless to say, nothing prevents us from expressing our opinions on the mistake in question during this period of time) until the time comes for us to set things right (by a change of government, for instance.) Thus, democracy is a mechanism for correcting errors in a timely or relatively timely way. Democratic politics are the politics of correcting mistakes in accordance with established procedures. To practice democracy, we must follow the procedures. When a mistake cannot be corrected right away, the minority must not resort to violence and impose its wishes upon the majority in violation of established procedures. Of course, procedures are made by man. Inappropriate procedures can be amended following established rules. A nation or a region equipped with this error-correcting mechanism is a democratic nation or region. A political party or social organization similarly equipped also practices internal democracy. Certainly, there are all kinds of decisionmaking methods in human society. When the issue in question has well-defined objectives and generates no differences in values, we must look to science, to think tanks, and to brain trusts. On scientific issues, therefore, we should not submit to the majority, but always to the truth. On democratic issues, we must always be prepared to admit errors. Democracy is premised on the recognition that man is fallible, that decisionmakers differ in educational standard and ability, and that human beings are free to express their opinions, wishes, and feelings. Democracy means making or correcting decisions in accordance with predetermined procedures. Owing to the absence of this error-correcting mechanism, we were not able to correct the mistakes of the Cultural Revolution until after Chairman Mao Zedong passed away.

A prosperous and powerful China depends on economic reform as well as on legal and political progress. As I see it, economic reform, too, must rest on a scientific understanding of human nature and on a recognition of human beings' material needs. Faced with steadily rising needs, should a society try to satisfy such needs through economic development or should it curb them, dismissing the pursuit of the good life as something harmful? These two different interpretations of human needs and human nature would take a nation down two vastly different

paths. The latter method is, in fact, a critical factor behind China's poverty and backwardness. Since some people have certain social needs, society should organize some trades to satisfy those needs. The market economy is an effective mechanism for satisfying the needs of human beings. In an economy in which people can buy and sell, free exchange through the market produces optimal results for both buyer and seller. The purpose of economic reform in China is to develop a socialist commodity economy, that is, an economy in which the government controls and guides the market at the macroeconomic level to satisfy rising social needs. For years, the Chinese economy has been full of opportunities and possibilities, enabling a person to maximize his own gains without damaging the interests of others. But it is also ridden with myriad administrative restrictions and regulations that prevent him from doing so. Consequently, the present-day Chinese economy, particularly the pre-reform economy, is a self-restricting economy, one that is not motivated to improve itself. It is precisely the aim of our current reform to transform this economy into a self-developing one. Such a fundamental change is needed if the Chinese economy is to grow and develop rapidly. Economic development depends on enterprises capable of self-appreciation and self-development. It also depends on the application of the latest scientific and technical achievements throughout the economy to constantly update the industrial structure. To do so, we must rely on the market to determine the allocation of resources and unleash the initiative of enterprises and entrepreneurs. The question facing economic reform in China is this: How are we to put together an economy in which the market determines the allocation of resources, enterprises have a capacity for self-development, and the industrial structure constantly renews itself, all within the framework of public ownership?

When I met with John [?Aresite 1947 1422 2448 5192], a professor of political science and philosophy at Chicago University, and George [?Rongman 1369 2581], an economics professor at the University of California, in mid-April 1988, I brought up the "theory of four societies." The first kind of society is the "potato society," including the kind of society referred to by Marx in "The Eighteenth Brumaire of Louis Bonaparte." This kind of society is made up of self-contained and mutually isolated units. Examples include the manor of medieval Europe, the village of India, the mir of Russia, and the people's commune of China in the 1950's. The second kind of society is the "pyramid society" or "highly administratively controlled society." The third kind of society is the "legally controlled society," which is crisscrossed with lateral associations of every description. The fourth kind of society is the future society, "the product of great advances in information technology and a rising degree of social organization. Today's China belongs to the second kind of society but has many of the features of the first kind. To become prosperous and powerful, China must transform itself from the second kind to the third kind of society, that is, to a legally controlled society. In my speech delivered at the meeting

on 17 March celebrating the 40th anniversary of the resumption of publication by TA KUNG PAO, I noted that Chinese reform today faces a critical task in instilling the spirit of the rule of law in reform and using the law to spearhead and safeguard reform. If we manage to do that, a prosperous and powerful China will not be a remote prospect.

Liu Xiaobo Argues for Rule of Law
40050480 Hong Kong CHENG MING
[CONTENDING] in Chinese No 138, Apr 89 pp 78-81

[Article by Liu Xiaobo 0491 2556 3134: Part II—"Contemporary Chinese Intellectuals and Politics"; Part I published in JPRS-CAR-89-047, 17 May 89]

[Text] (Continued from the last issue) I said that a struggle for power and profit within a despotic system is not really a political struggle because it is not a struggle between two political systems, and that it is appraised from a moral, rather than political, viewpoint. All the sage rulers in Chinese history were of noble moral character. All the despots, forever detested even in death, were morally degenerate. Feudalistic scholars put the blame on Yang Gui Fei for the "An Lushan-Shi Siming rebellion," and Emperor Tang Xuan Zong finally had to force his favorite concubine to commit suicide. Similarly, contemporary Chinese intellectuals hold Jiang Qing responsible for all the evils of the Cultural Revolution, including Mao Zedong's mistakes. More than a thousand years of history have not changed the Chinese view of politics. Yang Gui Fei and Jiang Qing were not only immoral themselves, but caused their sovereigns to neglect their official duties and degenerate morally. They were condemned by the whole nation for their crimes. Alas! The Chinese people are indeed too naive.

A real political struggle is a contest between two systems, in which virtue and personality have no role to play. The substitution of democracy for despotism is not the substitution of an enlightened ruler for a muddleheaded one, but the substitution of laws for rule of man and the substitution of separation of powers for dictatorship. It can even be said that virtue has no place in a political struggle. A lecher can become an outstanding statesman, while a gentleman may know nothing about politics. In a certain sense it can be said that all politics is unethical. Resorting to intrigue and conspiracies is an inherent occupational disease of politicians. I don't think the "Watergate incident" is the only political scandal in the West. The important thing is to have rules for the political game, established by a legal authority higher than any political power. These rules should be known to the public and adopted by plebiscite. All politicians must follow these rules, instead of making their own rules. The social relationships between men, especially economic and political relationships, must be consummated through the absolute medium of the law. The law never pays any attention to power, face, and feelings. It is like a machine. Men must obey the law. Thus, the democratic political game is a game played according to rules (laws),

which are known to the public and must be observed by everyone and anyone. It institutionally eradicates rule by man.

In contrast, despotism or the political game in a society ruled by man is a game played in one's own way without any rule. The Chinese have always believed in the power of "nihility." For Confucianists, it means to make invisible and impalpable "benevolence" the foundation of the political system. For Taoists, it is to make "doing nothing" the foundation of the political system, according to the "tao" which is free of knowledge, desire, and law. Hence, the concept "the supreme law is no law" has become a tenet not only for Chinese artists, but for society as a whole. And, on the basis of their so-called most revolutionary personality and most unlimited power, Chinese rulers can do as they please and make laws and policies as they wish. There is simply no law in China. What is now called the law not only has no control over power, but serves as an instrument of power. Answering a reporter's question, the chairman of the NPC Law Committee of present-day China had the nerve to say, "I, too, do not know whether the law is politics or vice versa." If the personality cult of Mao Zedong had not developed to the extreme among the people of the whole country, how could Mao Zedong wield the immense power he did? Therefore, in politics, we must not substitute moral preachings for legal provisions, still less attribute political corruption to moral degeneration. That "official profiteering" has become so rampant in China, the fundamental cause is not the moral degeneration of the "princes" or the corruption of the party style, but the absence of legal and institutional deterrence. Moral degeneration is a congenital disease of rule by man. Under rule by man, there is bound to be corruption, because rule by man is itself the most corrupt.

Moreover, the substitution of a virtuous personality for a good system has a most fatal weakness: When a regime is on the decline, putting the blame on moral degeneration can only conceal the corruption of the system itself. There is no inevitable logical relation between "cultivating one's moral character" on the one hand and "running the country" and "bringing peace to the world" on the other. Nor is there any inevitable logical relation between "not cultivating one's moral character" and "bringing chaos to the world." Goodness and honesty do not necessarily lead to political success, and evil and wickedness do not necessarily lead to political failure. The point is, politics never respects the selection of a virtuous personality; it respects only the selection of a system. For thousands of years, the traditional concept of the supremacy of ethics and omnipotence of personality has made it very difficult for Chinese intellectuals to look into the system for causes of political corruption. The traditional great personality still clings obstinately to the political corpse, which can be regarded as a strange phenomenon of mankind.

Despite the facts that the Cultural Revolution has thoroughly exposed the fatal weakness and the utter ugliness of the despotic system and government by man, that the Chinese people, particularly the intellectuals, have paid

an enormous price, and that all this has given the intelligentsia and even society as a whole a best opportunity for serious introspection, more than 10 years have passed, and the Chinese people are letting the golden opportunity slip away. Culturally, great contemporary Confucianists at home and abroad are singing in unison the praises of the Chinese-styled self-sufficient personality which is "both inherent and transcendent." Politically, many highly respected Chinese intellectuals at home and abroad are hoping for an enlightened ruler with absolute power to appear from within the despotic system to reshape the country. Their ignorance is both ridiculous and pathetic. Since the "Opium War," the Chinese people have been paying enormous prices in order to change their own fortune, but these prices seem to have been paid in vain, for they have bought nothing but the same eternal ignorance. Who is to blame for this? We have only ourselves to blame. Our inhuman way of life is self-imposed. It can be said that we've got what we deserve.

The awakened slaves who try to free themselves from slavery deserve sympathy and help, but the unawakened slaves who are content to be slaves forever are not worth helping because they've got what they deserve. I have no sympathy for either Jiao Da, whose mouth was stuffed with horse dung because he cursed the Jia family with moral degeneration and behaving like thieves and whores, or Qu Yuan, who prided himself on his absolutely perfect moral integrity and chided Chu Huai Wang for the king's muddleheadedness, even though he died a rather moving and tragic death and demonstrated the courage to "sacrifice himself to preserve his virtue." Jiao Da was illiterate and, perhaps, excusable. Qu Yuan was versed in statecraft, and he had only himself to blame.

"Loyalty" Cannot Win Justice Under Despotic Rule

How do we explain the tendency of Chinese intellectuals to "oppose only the muddleheaded ruler and corrupt officials, but not to oppose the system of despotism?" One explanation appears to make some sense: China's despotism is too cruel and too powerful to be opposed openly and directly, and can only be opposed in an indirect and roundabout way. This reasoning dates back to ancient times. It was stressed by many sages of the past: Criticism of the emperor should be made implicitly, tactfully, and not rashly. But I want to point out that in Chinese history, many people gave their lives opposing corrupt officials and muddleheaded rulers, and they were much more loyal than those who advocated implicitly and tact. In contemporary China, there were also many who dared to speak bluntly during the anti-rightist struggle, and they remained loyal after their rehabilitation. How is this to be explained? In both modern and ancient times, there were people who were not afraid of brutal suppression, but they all wanted to "oppose only the muddleheaded ruler and the corrupt officials, and not the system of despotism." Even Liu Binyan [0491 6333 7159], regarded by people as a "dissident" with an unbending personality and twice expelled from the party, still expresses loyalty to

socialism and Marxism-Leninism. Many intellectuals who died under false charges during the Cultural Revolution never expressed any doubts about the present system.

Therefore, the reason for people to "oppose only the corrupt officials and the muddleheaded ruler, but not the despotic system" is not, or is mainly not, the brutality of the despotic system, but the ignorance of Chinese intellectuals and the ignorance of the entire nation caused jointly by the despots and the intellectuals. One of the major manifestations of this ignorance is "blind faith"—blind, absolute loyalty to the despotic system. This loyalty was regarded as one of the highest virtues in ancient China, and still is in modern China. The ancient model was Qu Yuan, who "felt no regret even if he had to die many times." The contemporary example is Liu Binyan's "second kind of loyalty." Qu Yuan was so embittered by Chu Huai Wang, who banished him, that he died an angry man. Liu Binyan has also brooded over his expulsion from the party and hopes to be rehabilitated a second time. Hoping that the despotic ruler will show mercy so they can be rehabilitated is the height of stupidity. In all socialist countries (and in Taiwan), to rehabilitate somebody has become an act of honor, something to be proud of. It seems that the rulers are not admitting their own mistakes, but are doing the unfortunate sufferers a favor. And the rehabilitated, too, are very proud, as if they have become national heroes, and extremely grateful to their benefactors. In China, the Soviet Union, and Taiwan, how many touching praises have been sung by the rehabilitated and all of society for amnesties announced by the despotic system, and how many times magnificent words have been spoken by tearful men to pledge allegiance! **Yet the fact that despots alone can rehabilitate those persecuted under the despotic system is in itself despotic.** Why can't the persecuted rise in rebellion on their own, instead of waiting for rehabilitation by the despots who almost destroyed them in the first place? Why can't the intellectuals rehabilitate themselves by other independent means, but must wait for liberation by the despots who may someday show mercy? When the despotic ruler has the power to either persecute or rehabilitate, rehabilitation will not change the nature of the despotic system, but will make it look prettier and help advertise it as being "enlightened." More important, as he has the power to rehabilitate you, he also has the power to throw you again into hell, which was what happened to Liu Binyan. Like freedom and democracy in China, the despots have the power to give people freedom and also the power to take it back. The "movement to emancipate the mind" and the "anticorruption" and "antiliberalization" campaigns are clear proof. Freedom, rights, and rehabilitation have all become a favor bestowed by the despotic rulers. And those receiving such favors feel grateful and pledge loyalty in return. Isn't this self-torture? Not only are Chinese intellectuals mistreated politically, but they are torturing themselves with their "loyalty"—the former caused by the brutal despotic system, and the latter by the intellectuals' own stupidity. Most of the literary

works of the new period with intellectuals as subject matter involve the antirightist struggle and the Cultural Revolution. In these two movements, the intellectuals were persecuted because they "spoke bluntly out of loyalty." However, Chinese intellectuals never questioned whether their loyalty had any value, and even in utter humiliation they remained faithful. They firmly believed that someday their loyalty would be justly recognized, and all their patience and efforts would prove worthwhile when this day comes. When the emperor finally saw the truth, mercifully pardoned them, acknowledged their loyalty, and commended them, they were deeply grateful and pledged to be 10 times more faithful in order to repay the emperor's kindness. They were in agony because "their loyalty was not appreciated." What could this be, if not self-torture? Loyalty was the basis for their participation in politics. With loyalty, they offered blunt advice, endured humiliation and bore a heavy burden, waited for the emperor to see the truth, and repaid the emperor's favors. In a word, everything they did was to prove that "I alone am the faithful son."

Chinese intellectuals always likened their relationship with the absolute ruler to blood and family relationships. The monarch and his subjects were like father and son, or mother-in-law and daughter-in-law. At home, one should be a dutiful son or a virtuous daughter-in-law, and in the imperial court, one should be loyal to the emperor. The socialization and politicization of the ethics of blood relationship caused Chinese intellectuals to equate morals with politics and moral values with political behavior. The ethics of blood relationship exemplified by "the son risking his own life for his mother" and "the wife dying with her husband" was directly translated into a sovereign-subject relationship dictating that "the subject should sacrifice his own life for his sovereign" and that "one should die for a just cause." This relationship remains deep-rooted in China today. Contemporary Chinese intellectuals liken the party, the motherland, and the people as their mother, and themselves as sons and daughters. A mother's love in bringing up her children is beyond measurement, and can never be fully repaid. They describe their own humiliations as "a son being spanked wrongly by his mother." A mother is still a mother, even if she commits a monstrous crime, and a son remains a son, even if he has been terribly wronged. A son may reprove his mother, but not rebel against her. He should try to persuade and forgive his mother with even greater filial devotion. As I said before, this is the way the Chinese people have abetted with loyalty the mother who, despite repeated admonition, keeps punishing her children without justification.

Perhaps the character of Liu Binyan is most representative of this kind of loyalty. Particularly in the report entitled *The Second Kind of Loyalty*, published in 1988, he pushed to a new high the kind of loyalty he affirmed and advocated and for which he was criticized. In the report, he divided loyalty to the party and socialism into

two kinds. The first is the "Lei Feng type" of loyalty, characterized by blind obedience and faith without independent thinking, as seen in people who "read Chairman Mao's books, follow his teachings, and are his good fighters." This kind of person regards the leader and the party as his liberator, to whom he is forever indebted. He has sworn at birth to be loyal to the master and never to oppose or criticize him, no matter how cruel and corrupt the master may be. Lin Binyan maintains that this kind of loyalty is blind and should be refuted. The second is a rebellious type of loyalty, found in people who are not always obedient and who think independently. Although this kind of person also pledges eternal loyalty to his master, he dares to tell him of his mistakes and is not afraid of offending him. He may suffer because good advice is unpleasant to the ear and unappreciated by the master for the time being, but his loyalty remains unchanged. He believes that someday the master will wake up, and his absolute sincerity will be appreciated because the criticisms are not intended to hurt the master, but to make him more perfect, a way to fulfill his responsibility to the master. In other words, as Liu Binyan sees it, the first kind of loyalty is really disloyalty to the master, because absolute obedience can only result in the master's becoming more decrepit, muddleheaded, and despotic and making more mistakes. Complete obedience is equal to complete ignorance. The second kind of loyalty is real loyalty, because its criticisms can help the master keep a clear head and correct his mistakes in good time. Han Fei said more than 2,000 years ago: "I wish to say that it is unwise to talk about something one does not know, that it is disloyal not to tell what one does know, that a subject who is disloyal should die, and that he who speaks inappropriately should also die." ("In the State of Qin," *Han Fei Zi*) This is the "loyalty to offer blunt advice," honored by Chinese intellectuals through the past dynasties. It can also be called a "sense of distress" as seen in Qu Yuan. However, under a despotic system, there is no justice for "loyalty" and "distress." Instead, one can get oneself killed for being loyal or distressed. The only alternative is to become a thoroughgoing rebel.

It is exactly the faithful character of Chinese intellectuals that makes it difficult for them to break their attachment to the despotic system. It is why the intellectuals who were persecuted in the antirightist struggle and the Cultural Revolution are "so lovably and movingly loyal" after being rehabilitated. The crux of the matter is that such loyalty is based on a master-slave relationship. In any case, it is only loyalty to the absolute ruler and can only strengthen the unequal master-slave relationship. The second kind of loyalty suggested by Liu Binyan cannot change the master-slave relationship, which is determined by the despotic system. The stronger the loyalty, the firmer the master-slave relationship. To completely overthrow the autocratic hierarchy and smash the master-slave relationship calls for rebellion, not loyalty; wickedness, not innocence; abolishing the despotic system, not advising it at the risk of one's own life. Sima Qian observed sadly long ago that his own

position was like that of a "prostitute or entertainer." How can today's intellectuals not even have this kind of consciousness? How can they willingly accept the political status of a "prostitute or entertainer" and remain blindly loyal?

Intellectuals should be loyal and social-minded, but they should not be loyal to political power at any level. Instead, they should be loyal to their own beliefs and the law. I think that the loyalty of intellectuals should be based on personal independence and divided into three levels: loyalty to truth, loyalty to one's own beliefs, and loyalty to one's own rights. The first two levels of loyalty are separated from politics or, to put it in another way, transcending politics and realities. Academically, the instinct of intellectuals manifests itself as loyalty to truth and facts, which will not change under political, moral, or social pressures. Even standing alone, an intellectual should still remain faithful to academic truths. At the same time, this loyalty also manifests itself as courage to abandon what is wrong and to conduct self-criticism and self-negation. When there is contradiction between an academic truth and some social gain or benefit, the intellectuals should stand by the former and not the latter. On beliefs, the instinct of intellectuals manifests itself as loyalty to what one chooses to believe in as an individual. One's belief should be independent of, and not controlled by, politics. There is no true or false belief. You either believe or don't believe. In the West, the Christian religion has since the Middle Ages stressed the independence of faith from power and called for the separation of the Christian faith from secular monarchical power. This is the freedom of faith believed by people of the West in modern times. Both academic and religious loyalties transcend politics. This is very important.

The third level of loyalty is in the political sphere. Loyalty in this sphere is not to those in power, but to one's own rights and to the law. In other words, it is loyalty to freedom. One should be loyal to academic freedom, religious freedom, freedom of speech, and freedom to compete on equal terms. At the same time, freedom also includes loyalty to one's obligations and responsibilities, that is, loyalty to one's right to participate in government and political affairs and one's obligation to abide by the law. This loyalty has two aspects. On the one hand, with regard to rights, each citizen should be loyal first of all to his natural rights—the equal rights belonging to him by birth, including property rights, the right to participate in government, the right to free speech, the right to equality, etc.—which should be protected by law, and this is also the most important condition for a citizen to be loyal to the law. Since citizens abide only by the laws they themselves have participated in making, and each of them is a lawmaker and owner, loyalty and submission to the law means loyalty to each person's human rights, and loyalty to human rights is every citizen's inherent obligation and responsibility, or a "God-given duty" of Christians. If the law gives one the right to vote, but one fails to exercise it, it means disloyalty to one's "God-given duty" or failure to meet one's social obligation and duty

as a citizen. On the other hand, in the relationship between the individual and the government, loyalty is mutual, and this mutuality is seen in the common responsibility of both citizens and government officials to uphold the law. Citizens obey the government because the government obeys the law. Citizens and presidents are both under the law. Government leaders cannot place themselves above the law and demand loyalty from citizens. In other words, in a democratic society, an individual's loyalty is not to the country's president or head of state, but to the law. Both the president and the government must be loyal to the voters, and if they aren't, the voters have the right to get rid of them under protection of the law.

But, in an autocratic society, the individual has no rights whatsoever; the ruler is the sole lawmaker, sovereign, incarnation of the law, and master of society. All others are subjects who can only pledge loyalty to the ruler and his autocratic government. This is a lawless system, because the law does not apply to everyone, including the ruler, but is directed only against the downtrodden masses. It is similar to the system under which "punishment does not extend up to the rank of masters, and rights do not extend down to the commoners." The question whether the person in power follows or breaks the law simply does not exist, because his power is the law, and the law is what he says it is. Even if there is punishment, it is not punishment according to law, but punishment dictated by power. When a member of the common people breaks the law, he will be imprisoned, even be put to death. When a member of the ruling class breaks the law, if there is no other way out, he may be demoted, removed from office, or transferred to avoid being punished according to law. The dictator himself cannot be touched even by this kind of punishment, unless his power is taken away from him. But that is not punishment by law, but the result of a power struggle. In contemporary China, the most typical example of lawlessness is the separation of the party constitution from the state constitution or the domination of the state constitution by the party constitution. Under general and normal circumstances, members of the ruling party are above the state constitution. They are protected by the party constitution. When they break the law, they are sanctioned only according to the party constitution, and are not punished according to law. This separation is the best way to protect the privileges of the ruling party. When members of the ruling party break the law, they are shielded by their party membership and official positions. Expulsion from the party may substitute for legal sanctions. Yet China's intellectuals and common people have given tacit consent to the validity of the party constitution. The phrase "not tolerated by party discipline and state law" is a typical expression of this tacit consent. The existence of two constitutions in the country only proves that the party constitution guarantees the special privileges enjoyed by the ruling party over the state constitution. Under corrupt conditions, when party members and bureaucrats break the law, even the party constitution will prove ineffective in

stopping them, particularly those in power at the top level, let alone punishment according to law. In this kind of society, **the loyalty of party members to the party is in fact loyalty to their own privileges over the whole people.** Those who are expelled from the party are indignant because they have lost their privileges. The whole country is subordinate to the party; the whole party is subordinate to the Central Committee; and the Central Committee is subordinate to the supreme ruler. This is loyalty of the Chinese people. **The party places itself above the country, and the party constitution above the state constitution. So, what should a party member be loyal to? It has to be autocratic power and privileges.**

In short, the loyalty required in an autocratic society is loyalty of slaves to the master, people to power, everybody to one individual, and ordinary rights to special privileges. In contrast, the loyalty required in a democratic society is loyalty of the president to all citizens, the government to the entire society, and the entire society and all citizens to the law. It is everybody's responsibility and obligation.

An intellectual's independence is manifest in his loyalty to truth in academic pursuit, his religious fervor in belief, and his loyalty to the law in political affairs. This is an intellectual's social instinct. Chinese intellectuals, however, are not loyal to truth academically, have no religious fervor, and are not faithful to the law in political affairs. They are loyal only, or mainly, to autocratic power. As long as people continue to believe in, praise, and uphold this loyalty, despotism will live on. In contemporary China, the main manifestation of this loyalty is the fact that people are more loyal to the ruling party than to the Constitution, truth, and belief. Aren't there too many intellectuals who have followed the ruling party for decades but are still kept out of its door? Aren't there also many intellectuals, though in their seventies and eighties and enjoying high prestige, who are still moved to tears as they take the oath under the party flag? In China, where the party constitution is higher than the state constitution and party power more important than national interest, being loyal to and following the ruling party is in fact being loyal to the privileges enjoyed by the party constitution over the state constitution and party members over citizens. Liu Binyan has never asked himself honestly: Is he loyal to the party constitution or the state constitution? If loyal

to both, then, when there is conflict between the party constitution and the state constitution and between the party's authority and citizens' rights and interests, which side will he choose after all? Obviously a party member should be loyal first of all to the party, and the party's interest is more important than the interests of the country and people. Wei Jingsheng and others are imprisoned for democratic activities, but Liu Binyan is just expelled from the party. Of course, the circumstances as well as Liu Binyan's social status have made a difference, but isn't Liu's privilege as a party member also a factor? In contemporary China, not only is "punishment not extended up to the rank of masters," but it is "not extended to party members" either. The higher one's official rank and status and the longer one's party standing, the greater one's privileges. The privileges become all the more conspicuous during political movements. Ba Jin once suggested setting up a Cultural Revolution museum, but the suggestion was rejected by the officials. However, memorial halls and meetings were built and held in a big way for high officials who had enjoyed autocratic privileges (such as Liu Shaoqi and so forth). Isn't that a privilege? Party members' lives are more important than citizens' lives, and officials are more valuable than common people. It doesn't matter how many common people have died. But when an important member of the ruling party dies, a lot of money and manpower will be wasted on memorial services. There is a strict hierarchy not only in life, but also in death. Even the ashes at Babaoshan are placed according to rank. No wonder people are loyal to the ruling party, because it will enable them to enjoy special privileges both in life and in death. **Loyalty, as a personal quality, has become so very powerful in China. It is not only a virtue, but special privilege itself.** Therefore, in an autocratic society, where the law of the party is higher than the law of the state and where party members are higher than citizens, the intellectuals' place is not to loyally offer advices to those in power at the risk of their own lives, but to resist them as out-and-out rebels. Without this fundamental change of attitude, I can only tell the believers of the "second kind of loyalty": You should not complain at all for being persecuted. You asked for it. No one, who has really awakened, will give you a "loyalty medal." (To be continued.)

(My thanks to the Chinese Research Center of the Asian-Pacific College, the University of Hawaii, for the time it gave me for writing, which made it possible for me to complete my writing plan in peace.—Liu Xiaobo)

NATIONAL AFFAIRS, POLICY

Official Discusses Steps To Improve Contract Management System

40060568 Beijing JINGJI RIBAO in Chinese
24 Apr 89 p 1

[Undated interview by JINGJI RIBAO reporter Xie Zhenjiang 6200 6966 3068 with an official of the Ministry of Finance: "A Ministry of Finance Official Answers a Reporter's Questions: Further Improvements in Economic Results Are Yet To Be Attained in the Contract Management System. We Must Adopt Five Measures To Expedite Improvement"]

[Text] How do we evaluate the business achievements and forms of distribution that result after enterprises institute the contract management responsibility system? Right now there is no single answer to this question. Consequently, this reporter recently interviewed an official from the Ministry of Finance, who candidly discussed ideas on ways to perfect the contract management responsibility system.

Before answering my questions, this official first said that in the more than 2 years since China as a whole adopted the contract management responsibility system, the management process in enterprises has improved substantially, effectively boosting enthusiasm among enterprise managers and producers and making enterprises more vigorous. Finance departments at all levels have responded to the pertinent documents issued by the State Council, and have actively participated in implementing the contract system. They put forward their best effort on behalf of developing the contract system. However, in the process of instituting the contract management responsibility system, certain unresolved problems remain that call for conscientious study and analysis and further improvement.

[JINGJI RIBAO]: After the contract management responsibility system was put into place, did revenues turned over to the state increase or decrease?

Official: After the contract management responsibility system was instituted state revenues actually increased to a significant degree, but statistical analysis shows that this increase was manifested primarily in the growth of circulation tax revenues, and, in fact, the object of enterprise financial contracts—the part of the profit turned over to the state (income taxes and income adjustment taxes)—increased very little or even decreased. In 1987, when China implemented contracts for state-run industrial enterprises, actual profits rose 19.8 percent, but the portion of profits turned over to the state (including income taxes and income adjustment taxes) grew only 1.4 percent. In 1988 actual profits in contracting enterprises increased 18.1 percent, but the portion of profits turned over to the state declined by 13.46 percent. These figures were calculated based on data from final accounts in the industrial enterprises working under this budget.

[JINGJI RIBAO]: Can the increase in circulation-tax revenues be understood as a direct result of contract management?

Official: That way of looking at it presents an incomplete picture. Enterprise production grows at an appropriate rate each year and circulation taxes increase correspondingly. Of course, instituting the contract management system aroused initiative among enterprises, staff, and workers, causing production growth to be somewhat larger than usual. The greater increase in circulation taxes that resulted could be considered a result of the enterprise contract management system. However, circulation taxes are the state's legal means of supplementing product value. They are one of the most important economic levers the state can use to regulate production and consumption. The state acts according to industry policies to lower taxes on certain products and raise taxes on others. Therefore, it is not suitable for us to assess the economic results achieved by enterprises by the size of the circulation tax burden a particular product bears. For example, we have a policy of high taxation on the tobacco industry. Most of the income from the sale of one pack of cigarettes goes for taxes, but this is no indication that the tobacco industry is producing high economic returns. Similarly, the coal industry is taxed at a low rate—only 3 percent—but we cannot conclude from this that coal enterprises are producing low economic returns. Therefore, when we assess an enterprise's business results we should not figure in circulation taxes.

[JINGJI RIBAO]: Then exactly how should we evaluate economic results in the wake of enterprise contracting?

Official: If we use financial indicators to measure success, economic results in the wake of enterprise contracting are at this time still less than ideal. According to statistics figured on the basis of comparable prices, the value of output from contracting enterprises in state-run industries increased 13.5 percent in 1987 over the previous year, and realized profits rose 19.8 percent. In 1988 the value of output grew 11.8 percent and realized profits increased 18.1 percent. From these two indicators we can see that realized profits are increasing at a faster rate than output values in contracting enterprises. However, because in the past couple of years the ex-factory price of industrial products has increased by a large margin, the economic returns in many contracting enterprises are manifested to a large degree in a kind of "price benefit." Although it is true that enterprises faced inflation in the cost of raw materials and fuel in 1988, their ex-factory prices jumped even higher. According to a recent typical survey of seven provinces, inflation for products produced by contracting enterprises was higher than inflation for raw materials and fuel. In 1988 price inflation on products produced by contracting industrial enterprises in these seven provinces increased revenues by 13.25 billion yuan, which is 2.2 billion yuan more than the 11.05 billion yuan increase in the cost of raw materials, fuels, and power. This accounts for more than 60 percent of the increase in realized profits. If we look at realized profit for every 100 yuan of income from

sales, profit levels declined. In 1987 this figure was 9.3 yuan, down 1 yuan from 1986; in 1988 it was 8.8 yuan, another 0.5 yuan decline. Consequently we feel that after enterprises begin contracting they must make a real effort to improve economic returns. The issues mentioned above are not intended to negate the contract system, rather they are intended to summarize our experiences so that we build upon them to further improve and perfect the system.

[JINGJI RIBAO]: What future measures will we adopt to promote healthy development in the contract management responsibility system?

Official: We believe that from the current perspective we should adopt the following steps to perfect the contract management responsibility system: First, we should maintain a proper balance in the distributive relationship between the state and enterprise and curb the slippage in profits turned over to the state. Second, we should focus on improving economic returns, enhancing scientific management in enterprises, and strengthening internal responsibility in enterprises. Third, we should improve our method of linking total wages to economic returns and control the overly rapid growth in consumption funds. Fourth, to standardize the distributive relationship between the state and enterprises, we should select several cities to try out separate taxation and profit streams and to launch experimental projects on after-tax contracting and after-tax loan repayment. Fifth, we should establish a mechanism for enterprise self-restraint and conscientiously work to overcome shortsighted conduct.

Increased Income Seen as Cause of Excess Demand

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OVERSEAS EDITION in Chinese
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[Article by Jiang Jun 1203 6511 and Xiang Hu 0686 5706: "Expansion of China's Consumption Fund in Perspective"]

[Text] After making a survey of general social supply and demand recently, the State Statistics Bureau discovered that the gap between general social supply and general social demand has been further widened. General social demand in 1988 increased by 22.1 percent compared with the previous year, but general social supply increased by only 19.3 percent.

Of the rapidly increasing demand, consumption demand increased fastest. In 1988, investment demand increased by 16.1 percent over the previous year, but consumption demand increased by 26.5 percent. Of the rapidly increasing consumption demand of individuals and society, the increase of consumption demand of individuals was fastest, reaching 29.5 percent.

According to analysis by relevant research personnel, the fast increase in consumption demand of individuals had resulted mainly from the fast increase in the income of urban residents.

In 1988, bank expenditures as payment of wages for urban residents increased by 26.5 percent over the previous year, of which workers' wages increased by 22.1 percent. The bank's money supply in rural areas also grew by a big margin. Of this, the expenditure for purchase of agricultural and sideline products grew 25.8 percent and the expenditure for payment of wages for township and town enterprises grew 27.2 percent.

As a result of the excessive growth in consumption demand, the gap between social commodity supply and social purchasing power was widened, increasing from 74.4 billion yuan in 1987 to 80 billion yuan in 1988.

For this reason, relevant experts warned that the expansion of consumption demand will further sharpen the contradictions between supply and demand in our domestic market and further aggravate the imbalance in national economic development. It will also bring about serious disproportion in finance, credit, foreign exchange, and materials, stimulate price increase, and seriously confuse economic order.

The Main Reason for Being Out of Control

After making an analysis of the excessive growth of the city's consumption funds over the past 9 years, the office for restructuring the economy of Shanghai Municipality held that a main reason for the excessive growth of consumption funds is that the income growth for non-employees is faster than the income growth for employees and the growth of employee income other than wages is faster than the growth in their wage income.

According to Shanghai's statistics, the per capita income of self-employed workers in this city reached about 5,000 yuan, and the per capita income of more than 10 percent of them reached more than 10,000 yuan. However, they are all workers having business licenses and paying taxes according to the law. Those who do business without license and those who have evaded taxes are not included.

The workers are receiving income other than wages mainly through the following channels:

- Workers engaging in part-time jobs and retired workers doing other business.
- Income from the tertiary industry run by enterprises and institutions and income from horizontally integrated enterprises and institutions.
- Income from technological transfer, training, information, and service.

—Income from newly established companies. The wages and labor of various companies established after 1986 are not under the management of state planning.

People of the office for restructuring the economy of Shanghai Municipality pointed out that all such income have, in fact, become wages but are not managed as wages. This is the real reason that consumption funds are out of control. Only when we understand this can we explain why the growth of consumption funds is so fast and the growth of wages is not. For example, in 1988, the workers' average wage increased by only about 1 percent in Shanghai.

The Weakening of Wage Efficacy

1988 was the third year of high wage increase in China since the founding of the Republic. In that year, total wages of Chinese workers increased by 22.1 percent compared with the previous year. What was entirely incompatible was that China's national income of the same year increased by only 11.4 percent and society-wide labor productivity by only 8.3 percent.

Even so, plant directors in various areas still complain that it is difficult to arouse the workers' labor enthusiasm by merely increasing wages. The party, administrative, trade union, and youth league cadres of a cotton mill in the south once tried their best to ask the workers who had been staying away from work without leave or good reason to come back to work, but only 6 of the 60 workers returned to work. A young worker told the plant director: "Working in the factory is just like taking part in no-pay voluntary labor, and the wage we get from the factory can just serve as a subsidy!"

The researchers discovered that in most Chinese enterprises, with the considerable increase in total wages, the efficacy of wages is gradually shrinking and wages are having an increasing flavor of social insurance.

After making an investigation in 218 enterprises in 13 cities, including Shanghai, Taiyuan, and Changsha, the Ministry of Labor discovered that, although workers' wages are increasing, the proportion of standard wage in the total wage make-up has dropped and that of "live wages," such as bonuses and allowances, has been growing very fast. Moreover, almost all such "live wages" are meted out equally. The result of another investigation made by the State Statistics Bureau recently also shows that bonuses and allowances already make up more than 40 percent of total wages in China's state-owned units. They are the part of the total wage that have most rapidly increased. As wages have increased rapidly and equally, it can no longer play the role of encouraging the diligent and punishing the lazy. A researcher said ironically that China is becoming a "welfare country."

Many people who are still not satisfied with their wages have turned to a second job.

A survey in Guangzhou shows that most of the workers engaging in a second job are trying to make up for the deficiency in income from their first job. According to the survey, 74 percent of those who are doing a part-time job are receiving a monthly wage of less than 150 yuan, and only 2.8 percent of them are receiving more than 200 yuan a month.

The irrational distribution of primary-job wages is another reason for people to seek a second job. Guangzhou's Labor Bureau pointed out that most of the workers doing part-time jobs are middle-aged workers. They are in the prime of life and are technologically skillful. However, although they are in their best years and have made the best contributions, they are not best paid. The survey shows that teachers and technicians make up the majority of those engaging in a second job. This obviously has something to do with the pay they are receiving from their first job.

An incident in Changsha, Hunan Province, also proved certain reasons for people to engage in a second job. A rural enterprise in Changsha has produced some new station wagons, which are selling well in the domestic market. But this kind of wagon was designed and manufactured by the technicians of the Changsha Passenger Vehicles Factory as a part-time job. After the director of the Changsha Passenger Vehicles Factory learned this, instead of being angry, he explained for the technicians: "As the technicians are not duly respected in our enterprise, even if they have made prize-winning products, what I can do is no more than give them several thousand yuan as encouragement. However, other people may still have complaints about that."

What provides food for thought is that although the wage of the first job is low and has an increasing flavor of egalitarianism, those who are engaging in a second job would rather bear more hardships than give up their primary job. What is attracting them is the color of welfare and insurance of first-job pay. No wonder some workers in Guangzhou regard their first job as a "safe" and their second job as a "goose that lays golden eggs." They have likened doing two jobs concurrently to a "strategy of double insurance."

The "Grey Income" of Some Units

There is a kind of income that everyone knows about, but no one speaks about. It becomes a knotty problem for statistical organs to solve. This is the cash and bonus in kind workers receive in addition to their wages.

Sometimes even the workers themselves are not quite clear about the money they have actually gotten from their work units in a year. Their careful wives may keep an account of their incomes, but it is still very difficult for them to avoid omissions. A cadre in Guangdong admitted that in his office desk, there is always some money given by his unit under all sorts of names. All his colleagues are also keeping such money in their drawers.

There are all kinds of bonuses in kind: As small as towels and soaps and as large as color television sets and refrigerators. Some were distributed free, and some were sold at very low prices as allowances with public funds. Since 1986, the Chongqing Motor Plant has been giving each worker a suit of clothing each year. Although it was investigated by the city's audit bureau in September 1988, it continued to act on its own, and gave each worker a suit of sportswear after that. The expenses for the sportswear, which totaled more than 178,000 yuan, were then included in production costs.

How big is this hidden income? The State Statistics Bureau carried out a survey in 24 units and found that the staff and workers had obtained from their units 175 yuan of income other than wages, equal to 9.6 percent of their annual wage. In some units, such income reached 490 yuan, or 27 percent of the annual wage.

How To Close the Loophole

The researchers pointed out that the workers' income from their second jobs and their "grey" income from work units have resulted from the fact that their wages have the characteristics of a welfare fund—equal pay for unequal work. This is also the so-called "big rice pot" that people were urged to smash at the beginning of reform.

People who are against the "big rice pot" are trying to seek compensation by two ways: One is to engage in a second job to earn more money, such as a "Sunday engineer" and "part-time actor." The other is to enlarge the "big rice pot" by increasing the expenditure of their units under all sorts of names so that all staff and workers can share more benefits. "Grey income" is an instance of this.

However, none of the two ways can help increase the work efficiency of their main jobs. The income from part-time jobs seems to be more reasonable as it reflects the principle of more pay for more work. It can, therefore, help increase the work efficiency of the second jobs. However, income other than wages, which is obtainable on an equal basis in the collectives, cannot play such a role, because it is in essence an extension of wages, or an extension of the defects of wages.

All enterprises have declared that by increasing the income of their staff and workers they are just trying to ensure that their standard of living will not decline. It was with this "justified reason" that a construction company in Shenzhen once distributed 66,000 yuan, or 1,300 yuan each, as bonuses to its workers, despite heavy debts and a loss of more than 690,000 yuan.

Workers' "grey income" is also a thorny problem for Shanghai: Prices are increasing and the government is unable to give subsidies. What is to be done?

This reporter learned that the governments in various areas are trying hard to work out methods for controlling the expansion of consumption funds and the research

personnel are offering their suggestions one after another, such as strengthening financial management and auditing supervision, strengthening tax management, and strictly controlling group consumption. Greater attention has been paid to the increase in the workers' income other than wages.

At the same time, people concerned further pointed out that the welfare nature of Chinese enterprises and the welfare concept in the people's minds are the most dangerous things. They have resulted in the loss of large sums of consumption funds and, what is even worse, made people think that all this is entirely reasonable.

Rules Promulgated for Mediation Committees

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[Local Broadcast News Service]

[Text] Beijing, 2 Jul (XINHUA)—The following are the organic rules for people's mediation committees:

Article 1. Consisting of 17 articles, the Organic Rules for People's Mediation Committees have been formulated in order to strengthen the building of such committees, promptly mediate civil disputes, promote unity among the people, maintain social stability, and advance socialist modernization.

Article 2. People's mediation committees are mass organizations, created under villagers' committees and neighborhood committees, for mediating civil disputes, and exercise their functions under the guidance of basic-level people's governments and courts.

Basic-level people's governments and organs assigned by them to guide the day-to-day work of people's mediation committees shall be put under the responsibility of assistant law administrators.

Article 3. A people's mediation committee shall be composed of from three to nine members, with a chairman and, if necessary, a vice chairman.

Members of a people's mediation committee, except for those who are concurrently members of a villagers' committee or a neighborhood committee, shall be elected from among the masses. Election shall be held every 3 years. Members may renew the term of office if they are consecutively reelected.

A people's mediation committee in the area inhabited by many minority nationalities shall include a few nationality members making up a minority.

Where members of a people's mediation committee are unable to take up their posts, it shall hold an election to elect additional members to fill the posts.

A people's mediation committee shall be responsible for dismissing its members for the serious offense of dereliction of duty and violation of the law and discipline.

Article 4. Adult citizens who are fair minded, have ties to the masses, are devoted to mediation work among the people, have some legal knowledge, and understand the policies quite well are qualified to be elected members of a people's mediation committee.

Article 5. A people's mediation committee is entrusted with the tasks of mediating civil disputes; publicizing laws, decrees, regulations, rules, and policies through carrying out its mediation work; and teaching citizens to abide by the laws and discipline and to observe social ethics.

People's mediation committees should keep villagers' committees or neighborhood committees informed of the disputes among the people and the progress of mediation work.

Article 6. In carrying out its mediation work, a people's mediation committee shall observe the following principles:

(1) It should carry out mediation work on the basis of laws, decrees, regulations, rules, and policies and on the basis of social ethics if no explicit provisions are stipulated by the laws, decrees, regulations, rules, and policies.

(2) Mediation should be carried out in accordance with the principle of voluntariness and equality accepted by both parties.

(3) The litigation right of a party must be respected. Preventing a party from bringing a lawsuit to court before mediation is carried out or after the failure of mediation is not permitted.

Article 7. A people's mediation committee should promptly mediate the dispute upon the request of one party; it may take the initiative to mediate the dispute, even without being requested by a party.

In mediating a dispute, a people's mediation committee may assign one member or several members to do the job; where the dispute involves more than one locality and unit, it should be mediated jointly by the relevant mediation organizations.

In mediating a dispute, a people's mediation committee may invite the relevant units and individuals to take part, and the invited units and individuals should give their support.

Article 8. In mediating a dispute, a people's mediation committee should help the parties involved reach agreement by fully applying reason and patient persuasion and eliminating estrangement after investigating the facts and distinguishing between right and wrong.

In mediating a dispute, registration should be carried out, a written record made, and, if necessary or at the request of the parties concerned, a mediation agreement concluded. The agreement shall be signed by both parties and the mediator and also stamped with the seal of the people's mediation committee.

Article 9. The relevant parties should honor the agreement concluded under the sponsorship of a people's mediation committee.

Where, after mediation, the relevant parties still fail to reach agreement or regret the concluded agreement, they may ask the basic-level people's government to handle the matter and may bring a lawsuit to a people's court.

Article 10. A basic-level people's government should support a mediation agreement reached under the sponsorship of a people's mediation committee if the agreement is in accord with laws, decrees, regulations, rules, and policies and should correct the agreement if it violates the laws, decrees, regulations, rules, and policies.

Article 11. People's mediation committees shall not collect any fee for mediating civil disputes.

Article 12. People's mediation committees shall observe the following points of discipline:

(1) They shall not practice favoritism and irregularities.

(2) They shall neither exert pressures nor take revenge on the parties.

(3) They shall neither insult nor punish the parties.

(4) They shall not disclose the private matters of the parties concerned.

(5) They are not permitted to accept gifts and invitations to dinners.

Article 13. People's governments at all levels should commend and award outstanding people's mediation committees and those of their members who have distinguished themselves in carrying out their work.

Article 14. Appropriate subsidies may be given to members of people's mediation committees in light of actual conditions.

Villagers' committees or neighborhood committees shall be responsible for providing funds for the operation of people's mediation committees and for the subsidies of their members.

Article 15. People's mediation committees set up by enterprises and institutions on the basis of necessity should carry out their work in accordance with these rules.

Article 16. The Ministry of Justice shall be responsible for explaining these rules.

Article 17. These rules shall go into effect on the date of their promulgation. The provisional organic rules for people's mediation committees, issued by the State Council of the central people's government on 22 March 1954, shall be rescinded at the same time.

SMALL-SCALE ENTERPRISES

Problems of Township Enterprises Outlined 40060633A Beijing JINRONG SHIBAO in Chinese 13 Jun 89 p 3

[Article by Zhang Zhenhua 1728 2182 5478 and Zhang Kejian 1728 0344 0313: "How To Overcome This Predicament—Several Ideas on Developing Township Enterprises"]

[Text] *Summary: The launching of rural reform has caused rapid development of the rural economy with township enterprises showing splendid results and emerging as a new force to become the mainstay industries of the rural economy. However, due to the changing economic environment, the loss of some advantages by township enterprises, and the effects of inherent shortcomings, the further development of township enterprises now faces a stern challenge. In order for township enterprises to develop, they need the support of various levels of government and concerned functional departments so a good external environment can be created. These enterprises must also overcome inherent shortcomings and raise overall quality.*

Township enterprises acting as the mainstay industry in China's rural economy are now faced with a changing economic environment: The gradual revival of urban state-run enterprises, changes in the consumption structure, and increases in consumption levels have also caused continual increases in demands for product quality. Spiraling prices of energy and raw materials, shortages of funds, and the gradual weakening of some advantages formerly enjoyed by township enterprises have faced township enterprises with a stern challenge in development. We must wait and see how they will overcome this predicament.

I. Striking Accomplishments

In 10 years of reform the rural economy has attained record-breaking development and township enterprises have emerged as a new force. First, the development of township enterprises opened up the "leave the fields but not the countryside, work in factories without going to cities" method of utilizing the work force in local areas. This solved one of the biggest problem areas in the economic construction—that of the labor force moving away. Second, the countryside was able to form a varied industrial structure. The industries, construction, transportation, trade, and service industries of the rural areas one after another broke away from agricultural production, enabling the singular economic structure of the countryside to change into a varied structure. Third, these became a new source of revenue for state financial income and an important supplement for state expenditures. In addition, township enterprises indirectly supplied financial income to the state and assumed responsibility for expenditures. For example, when township enterprises purchased raw materials and fuel from state-run enterprises at a high price they were in actuality

increasing the income of state-run enterprises through price factors and as a result, correspondingly increased state financial revenue. Furthermore, township enterprises also undertook the majority of township finances and public welfare services work. Fourth, the development of township enterprises has increased the income of peasants and also promoted the development of other rural public facilities. Fifth, the development of township enterprises has expanded foreign trade, increased foreign exchange earnings, and in the adjustment of the rural industrial structure has made contributions for realizing a "trade, industry, agriculture" open-type economic structure.

The facts show that township enterprises have already become the mainstay industries of China's rural economy. Their development and the national condition are in line with the will of the people and has made striking achievements.

II. Inherent Shortcomings

Township enterprises are newly emerging and in the current situation of development cannot avoid having weak links and shortcomings that affect further development of township enterprises, such as low quality, lack of separation of government and enterprises, and short-term actions. The most important of these is low quality, as shown by the following:

1. Low-quality personnel. Almost all township enterprise leaders have come from the profession of "agriculture cadre"; they have engaged in agriculture production leadership work for a long time and by habit they use methods for directing agriculture production to lead the enterprises. This management method to a greater or lesser extent carries the vestiges of the small-scale agriculture economy, which is not suitable for modern, large-scale production. Most township enterprise workers also come from the countryside and are presently generally in a situation of having little education, lacking professional ability, and having few area experts.

2. Poor technical equipment. The poor technical quality of township enterprises is clearly displayed by aspects such as obsolete equipment, backward technology, and relatively weak capabilities in product design, machinery and equipment operation, and quality control.

3. Backward management and administration. This is commonly reflected by basic enterprise management work being unsound in areas such as early recordkeeping, statistics, estimates, standardization, and rules and regulations; because of deficient information sources within enterprises, it is easy for leaders to lose their basis for decisionmaking when carrying out management functions, this has an effect on the enterprises' ability to establish a proper production order and to effectively organize production. Backward management means and methods are also reflected by the majority of township

enterprises' use of traditional management by experience as the primary means of management, which lacks quantitative analysis and the use of exact science as a base for decisionmaking.

III. Challenges Ahead

The reform of the economic structure and the new technology reform has confronted township enterprises with an economic environment currently undergoing a profound change and has put forward a stern challenge for these enterprises.

First, along with the gradual deepening of urban economic reform, the decisionmaking authority of urban enterprises has expanded and the vitality of the enterprises increased. This gradual freeing and giving play to the advantages of strong technology, good equipment, high labor efficiency, talented personnel, and supply and marketing enjoyed by urban enterprises will mean that township enterprises will not enjoy a monopoly in independent management, responsibility for profits and losses, and rewards based on the amount of work they do. These urban enterprises will naturally become strong competitors for township enterprises in all areas.

Second, funds for developing township enterprises have been backed mainly by loans from the agricultural bank. After the policy of retrenchment was implemented, the amount of township enterprise loans from the agricultural bank was maintained at the 1988 level which had a zero growth rate. How to get through this crisis is a stern test for township enterprises that are short of funds.

Third, feeling the effects of the nationwide economic surge, an imbalance in the supply and demand of some raw materials and energy has occurred, leading to large-scale price hikes. Township enterprises have no choice but to acquire essential elements for production at a high price through the market, increasing their production costs and affecting the economic results of township enterprises.

Fourth, the expanding technology disparity. Some township enterprises are still in the manual workshop stage and are just now starting to develop into mechanized industries. A large disparity exists when comparing these enterprises to urban enterprises that became industrialized at an early stage.

Fifth, competitive pressure from new technology products. Due to development of new technology it is inevitable that a large number of new products that are economical, have high quality and are highly efficient, are multifunctional, and of low cost will infiltrate the market. This exerts great pressure and pounds at the township enterprise products that are of low quality, high cost, and few in variety.

Township enterprises have now arrived at a crossroad and are faced with a stern challenge. What course to follow is the important question now put before the vast numbers of rural workers.

IV. Analysis of Measures To Deal With This Situation

We believe that at this time township enterprises hold both risks and opportunities, have difficulties along with good expectations, and are a combination of stagnation and development. There must be external and internal support for the development of township enterprises.

1. As for the external support of township enterprises, all levels of government should be concerned with, attach importance to, and support the development of township enterprises. Concerned functional departments should conduct thorough and practical research and study and be based on supporting, providing service, and making the best use of the situation so a good external situation can be created for township enterprise development.

2. In internal support, township enterprises should establish a mentality for high-quality products, management, and benefits, use rectification to spur advancement, and utilize benefits for development. The following three aspects should be used to raise the inherent quality of township enterprises.

a. Raise the quality of personnel. Township enterprises should fully employ the urban economic reform and beneficial measures that have been opened up. These enterprises should begin from actual conditions in adopting favorable measures, be flexible in engaging advisors, make cooperative contacts, technology transfers, people-to-people exchanges, and seek technical advice. Technology and talented personnel should be attracted from large and medium-sized enterprises, scientific research institutes, and institutions of higher learning and persuade them to use their spare time to help the enterprises raise production technology, "borrowing talent to create wealth." Use the principle of studying the work one wants to do and supplementing what is lacking, in order to do a good job of training enterprise personnel. Carry out a "self-transfusion of new blood." At the same time, they should support knowledge enhancement for current technical personnel and promote rejuvenation of products.

b. Upgrade technical equipment. The existence and development of township enterprises depends to a great extent on their technological advancement. For this reason township enterprises should appropriately increase the rate of depreciation for equipment, speed up equipment upgrading, and devote efforts to assimilating suitable advance technology so that technological superiority can be used to make up for the disadvantages of inadequate energy and raw materials.

c. Strengthen management and administration. Township enterprises must strengthen enterprise management and administration and production management. In

order to adapt to the ever-changing market, it is of utmost importance to be based on the actual conditions of the enterprise, determine realistic targets, decide on management principles, select a plan and measure for implementation and a working procedure, and rationally organize the key elements of production, departments, and links of the enterprise to complete production goals. So that enterprise production can be effectively managed, amplify the internal and external information transfer and feedback systems of enterprises and establish and perfect various aspects of the economic contracting responsibility system. Various aspects of the quota system and a strict economic responsibility system should be established and perfected, and we should also establish and perfect early recordkeeping and corresponding systems for estimating, checking, accepting, receiving, and transfer of raw materials, end products, and semifinished products. The methods of business accounting and statistical accounting should be correctly utilized in conducting accounting of costs, funds, and administrative results. Regular analysis should be conducted on enterprise economic activities and measures for improvement earnestly implemented. Determination for high-quality output should be strengthened in staff and workers and the overall management quality of enterprises needs to be improved to raise product quality.

FOREIGN TRADE, INVESTMENT

Imports, Exports Show Improvement Over 1988
HK1907030889 Beijing RENMIN RIBAO in Chinese
11 Jul 89 p 1

[XINHUA report by Li Lubo 7812 7627 3134: "Import and Export Volume in the First Half of This Year Exceeds That in the Same Period Last Year"]

[Text] Beijing, 10 Jul (XINHUA)—According to the latest statistics released by the General Administration of Customs, the total value of China's imports and exports in the first half of this year reached \$50.3 billion and the deficit was as high as \$5,785 million, much higher than the level in the first half of last year.

The total value of imports and exports increased by 16.8 percent in the first half of this year over the same period last year. The export rose by 6.5 percent, reaching \$22,258 million and the import by 26.7 percent, reaching \$28,443 million.

Of the indexes of customs statistics, most of the imports and exports are relatively balanced. However, in terms of the use of spot exchange in ordinary trade, imports increased by 24.9 percent while exports increased by 8.5 percent. The balance shows an import surplus of more than \$3.5 billion.

Analysts here hold that the imbalance between imports and exports, which leads to deficits, is growing day by

day. The deficit for the year will probably top \$10 billion, reaching the level of 1985 or 1987.

There were 13 commodities whose export amount exceeded \$200 million between January and June. Except for aquatic and marine products, cans, pharmaceutical products, cotton cloth, polyester cotton cloth, genuine silk, and garment, the export of six products, namely grain, cotton, coal, crude oil, finished oil, and cotton yarn, dropped in varying degrees. Of the commodities the import amount of each of which exceeded \$200 million over the same period, with the exception of logs and wool, the import of 11 products, namely, grain, sugar, paper pulp, synthetic fiber for textile use, finished oil, chemical fertilizer, paper and paper boards, steel products, metal processing machine tools, television kinescopes, and cars and car chassis, rose by considerable margins.

Guangdong's Foreign Trade Decline Halted
HK1207014089 Guangzhou Guangdong Provincial
Service in Mandarin 0400 GMT 10 Jul 89

[Text] According to NANFANG RIBAO, the vast number of workers and staff members of foreign trade departments and enterprises in this province have worked together to overcome all kinds of difficulties, and have thus managed to halt the decline in export trade. In the first half of this year, the province's export volume totaled (?\$3.27) billion, an equivalent of 63.3 percent of the year's export quota. Calculated in terms of comparable items, this export volume is roughly equivalent to that last year, with the share of enterprises run with foreign capital, overseas Chinese capital, and with both Chinese and foreign capital, increasing by 66 percent over the corresponding period last year.

Due to the readjustment of the export commodities mix effected earlier this year and other factors, the province witnessed a remarkable decline in export trade in the first 2 months of this year—the margin of decrease exceeded (?36) percent. In order to halt the decline, cadres and staff of foreign trade departments and enterprises in this province have worked hard, tried their best to tap the potential of enterprises, took the initiative to cooperate with the industrial and agricultural sectors, and overcame difficulties caused by the shortage of funds and raw materials. Many export trade enterprises have made great efforts to explore the overseas market, and have thus ensured the normal operation of export trade. As a result, the decline in export trade has been alleviated. In early June the counterrevolutionary rebellion in Beijing scared some foreign businessmen. This also had an impact on export trade. Thanks to the timely efforts by Guangdong foreign trade departments, the misgivings among foreign businessmen have been dispelled; foreign businessmen have now returned to Guangdong and started cooperative projects here again.

Report on Development of Tianjin's Foreign Trade
HK2607030889 Beijing RENMIN RIBAO in Chinese
20 Jul 89 p 1

[Report by Xiao Di 5135 5441: "The Investment Environment in Tianjin Continues To Improve, the Momentum of Development in Foreign Economic Relations and Trade Continues"]

[Text] Tianjin, 19 Jul—Tianjin City continues to make efforts to improve its investment environment, eliminate unfavorable factors, and preserve the momentum of development in foreign economic relations and trade.

From January to June this year, foreign businessmen invested in 12 more projects in Tianjin's economic and technological development zone. Of the investment amount, which totals \$50 million, \$35 million, or 70 percent, came from foreign investors, an increase of 66 percent over the same period of last year. In May and June, contracts for three more investment projects were signed. Negotiations have recently been resumed on some large projects that were postponed due to riots in the country.

By the end of June, foreign exchange income from exports through Tianjin's port amounted to \$184 million. In the first half of this year, the city fulfilled \$12-million worth of labor service contracts it had signed with foreign countries, 98.5 percent of the annual plan.

In the first half of this year, in the face of unfavorable situations such as economic retrenchment and political turmoil, the Tianjin Municipal Government made efforts to blaze a new trail in foreign economic relations and trade.

- The mayor and vice mayors of the city held discussions with foreign investors and listened to their opinions. The city's development zone tried every possible means to solve problems concerning domestic liquefiers, cars, electric supply, and some raw materials that were in short supply.
- The city strictly abided by its commitment. When the country was short of money in the first half of this year, the Tianjin branch of the China International Trust and Investment Corporation raised funds by all possible means and repaid the principal and interest of foreign loans as scheduled.
- The city strengthened the combination of industry and trade and actively developed new products, thus allowing a number of good quality commodities to enter the international market. Subsequent to its fulfillment of a contract with Czechoslovakia for the manufacture of four cargo ships, the city's machinery import and export company signed a contract with Bangladesh for the manufacture of a 12,300-ton multipurpose container ship.

AGRICULTURE

Changes in Grain Policies, Flow System, 1979-1984

40060636 Beijing Dangdai Zhongguo De Liangshi Gongzuo [China Today: Food Grain] in Chinese
1988 pp 172-207

[Chapter 6: "Readjusting the Grain Policy, and Restructuring the Circulation System Bringing About a New Grain Situation (1979-1984)" from the book *Dangdai Zhongguo De Liangshi Gongzuo*; Deng Liqun, Ma Hong, Wu Heng, chief editors]

[Text] The 3d Plenary Session of the 11th Party Central Committee convened in December 1979 completely smashed the serious trammels of "leftist" errors that had long endured, corrected the CPC's guiding thought, and decided to shift the work emphasis to socialist modernization. From this time forward, the building of socialism in China won major victories in bringing order out of chaos to produce a great historical change.

Agriculture is the foundation of the national economy. The entire society emphasized the need to boost agriculture as quickly as possible, and put forward a series of policy measures and economic measures for developing agricultural production. From 1979 through 1984, every jurisdiction in the entire country assiduously implemented a series of decisions by the CPC Central Committee and the State Council for hastening the development of agriculture, for further strengthening and perfecting agricultural production responsibility systems, for developing rural economic diversification, and for current rural economic policies. Simultaneous with the general promotion of agricultural responsibility systems linked to output, grain and cash crop production was developed by suiting general methods to specific circumstances in accordance with a policy of "positively no slackening of grain production, and active development of economic diversification." This enabled China's agriculture to score enormous achievements that were universally acknowledged throughout the world. Bumper grain crops were harvested for several years in a row; the peasants' standard of living improved substantially; state grain procurement increased tremendously; sales remained basically stable; granaries were rather full; and the grain situation was better than at any time since liberation. During these several years, both the CPC Central Committee and the State Council made quite a few readjustments and reforms to grain procurement and marketing policies, and to the flow system from which outstanding results were obtained.

Section I. Readjusting the Grain Policy To Help Peasants To Recuperate and Promote the Overall Development in Agriculture

A. Lifting the State Purchasing Price of Grain To Increase Grain Grower's Income

An equitable readjustment of procurement prices of agricultural and sideline products was a major ingredient

in the readjustment and reform of the national economy. In the 12 year period from the comprehensive increase in centralized procurement and marketing prices for grain until 1978, prices remained basically steady. During this period, quite a few places increased their use of chemical fertilizer and agricultural pesticides in order to boost grain yields. In addition, they increased the amount of labor used in farmland capital construction. Agricultural production costs rose, with the result that the inequity of overly low grain procurement prices became increasingly pronounced. A survey shows that in 1976 grain production costs plus agricultural taxes for six different grains grown in 1,296 production teams nationwide averaged 11.60 yuan per 100 jin (figured in terms of 0.80 yuan per work day), while at the same time the average grain procurement price was only 10.75 yuan, 0.85 yuan lower than cost. In many places, grain growing peasants made only 0.30 to 0.40 yuan for a day's work. As a result, increase in grain procurement prices to increase grain growing peasants' cash income became a matter of great urgency. Acting in accordance with the recommendation of the 3d Plenary Session of the 11th Party Central Committee, the State Council decided on 1 March 1979 that beginning with the marketing of the summer grain harvest of 1979, procurement prices for grain would increase 20 percent. The added price for excess procurement would increase from an additional 30 percent over centralized procurement price to an added 50 percent over the new centralized procurement price. The principle used in readjusting the procurement price of major varieties of grain at that time was as follows: a suitably greater rise in the procurement price of wheat, indica rice, and millet, and a lesser rise in the procurement price of japonica rice, sorghum, and corn. Inasmuch as soybean prices had been raised in 1979, the current price rise was somewhat smaller. As a result of the above ruling, the procurement price for six different grains nationwide increased from 10.64 yuan to 12.86 yuan per 100 jin in a 20.86 percent actual increase. Following this readjustment, the too low procurement price of grain improved nationally. As a result of the increase in grain procurement prices and an increase in the added price paid for excess procurement, in 1979 peasants nationwide had approximately 4 billion yuan in increased earnings. This averaged a 5 yuan per peasant increase. With the great bumper harvests from 1980 through 1984, peasant sales to the state of centralized procurement grain and excess procurement grain greatly increased, and their income from increased prices increased. This played an extremely important role in stirring the enthusiasm of the broad masses of peasants to increase grain production and sales to the state of excess grain, changed the difficult situation of slow development of grain production and sharp contradictions between production and demand, and insured smooth development of the national economy.

When the centralized procurement price of grain was increased in 1979, in order to keep market prices basically stable and not add to the economic burdens of urban residents and the rural population who produced

no grain, a ruling was made that besides applying the same price to procurement and marketing of award sale grain, livestock feed grain, and seed grain supplied to rural villages, there would be no change in the sale price of food grain rations supplied the non-agricultural population, grain used by industrial and commercial trades within plan, or grain sold to rural households having no grain and to cash crop growing areas. In order to increase soybean production in 1981 in order to further satisfy domestic consumption and export demand, it was again decided to increase the centralized procurement price of soybeans by 50 percent, simultaneously canceling the added price for excess procurement, and not changing the centralized sale price. This increase in the grain procurement price with no change in the sale price resulted in a procurement and sale price inversion. In addition, the amount of excess procurement grain became greater and greater, the amount produced expanded year after year, and state financial subsidies for grain steadily grew. In 1979, the state paid a subsidy of roughly 0.10 yuan per jin of grain sold. By 1984, the state subsidy increased to 0.13 yuan per jin of grain sold. During the same year, state price subsidies totaled 37.3 billion yuan, 25.5 percent of financial revenue for the year. This included a net subsidy of 20.9 billion yuan for grain and oil-bearing crops, or more than one-half total state subsidies.

The state's policy of raising procurement prices without raising sale prices, the national treasury paying a subsidy for grain and important materials having a bearing on the national economy and the people's livelihood held, important significance in keeping market prices basically stable, calming the people's livelihood, and insuring smooth building of the Four Modernizations. This policy was also in keeping with China's circumstances. Nevertheless, procurement and sale price inversion is not, after all, a normal phenomenon in economic life. It also occasioned some problems in grain administration and management. For example, in some places, the peasants wanted greater centralized grain sale quotas so they could resell to the state, at the excess procurement price or at a negotiated price, the grain that they had been supplied by the state at the centralized sale price, garnering the price difference in the process. Some peasants did not fulfill state set requisition procurement base figures. Instead, they turned their grain over to peasant households that had already fulfilled their requisition procurement base figures who sold it as excess procurement grain to garner the added payment. In grain units, a small number of unlawful elements took advantage of the procurement and sale price inversion, as well as the simultaneous existence of different prices and not very strict enterprise management systems to collude inside and outside the units, practice deception, defraud the price differential, and engage in criminal economic activities. Both the CPC Central Committee Discipline Inspection Committee and the Ministry of Commerce issued several notices about this situation, calling upon grain units everywhere to actively improve procurement

and sales management and financial inspection, conscientiously investigate and punish all criminal economic activities, establish and strengthen various systems, and plug loopholes. In long-range terms, a satisfactory solution to the grain procurement and sale price inversion problem was imperative.

B. Lowering the State Purchasing Quota To Lighten the Peasant's Load

Following the 3d Plenary Session of the 11th Party Central Committee, the originally set grain procurement base figures were readjusted downward several times in order to lighten the peasants' burdens and develop commodity grain production. CPC Central Committee "Decisions on Various Problems in Accelerating the Development of Agriculture" of September 1979 pointed out that requisition grain procurement quotas nationwide would continue to be stabilized on the basis of the "5-year guarantee" of 1971 through 1975 and, beginning in 1979, they would be reduced 5 billion jin to help lighten peasant burdens and increase production. On the basis of this decision, requisition grain procurement base figures nationwide were reduced by a total of 5.5 billion jin in 1979. Mostly the burden was reduced on the old commodity grain bases in which requisition procurement base figures were too high to begin with. This enabled peasants in these areas to sell more excess procurement grain to make more excess procurement added price income. On 13 November 1980, in its approval and forwarding of "National Grain Conference Report-Back Outline," the State Council agreed with the further downward adjustment of the requisition grain procurement base figures, and also pointed out: "Downward adjustment of requisition grain procurement base figures can only be done gradually as national financial resources permit. Following State Council approval, requisition grain procurement base figures were reduced 1.156 billion jin for the minority nationality areas in 13 provinces and autonomous regions including Sichuan, Yunnan, Gansu, Qinghai, Ningxia, Guangxi, Guangdong, Guizhou, Xinjiang, Hunan, Inner Mongolia, Jilin, and Heilongjiang, a 46 million jin reduction applying to two counties in Guangdong Province. Because of the special circumstances in the Tibetan Autonomous Region, and because of the not very great effect on inland China, the centralized grain procurement and centralized grain sales policy was abolished there beginning in 1980. In 1981, the base figure was reduced 5 billion jin for old commodity grain bases carrying too great a burden (mostly paddy growing areas providing commodity grain in south China). In 1982, Shanghai's requisition grain procurement base figure was again reduced. Next, grain requisition procurement figures were reduced one after another in "border, mountain, old revolutionary base, minority nationality, and needy areas to help them readjust the structure of their agricultural production and make the most of advantages for economic diversification. Thus, the national requisition grain procurement base figure,

which was 75.5 billion jin in 1979, was adjusted downward to 60.640 billion jin by 1982, a reduction totaling 14.86 billion jin in 4 years.

In order to spur low yield and grain deficient areas to develop production, solve the problem of the same rural accounting unit buying grain after selling it, and to prevent too much grain procurement, requisition procurement starting points were set simultaneous with the downward readjustment of requisition procurement base figures. In its "Decisions on Various Problems in Hastening Agricultural Development," the CPC Central Committee ruled: "Paddy producing areas in which the grain ration is less than 400 jin, and miscellaneous grain growing areas in which the grain ration is less than 300 jin are exempt from procurement." Comparison of 1979 with 1977 shows that as a result of this ruling, the number of production teams from which grain was purchased and to which grain was also sold fell from 940,000 to 480,000, and the amount of grain bought back from the state fell from 4.6 billion to 2.5 billion jin. At the same time, centralized grain sales to rural production teams lacking grain increased. As a result of the state setting a requisition procurement starting point and taking action to reduce procurement and increase sales, the situation in low yield grain-short areas changed very quickly.

C. Increasing the Grain Import To Help Readjust the Agricultural Structure in the Countryside

One of the reasons for the slow development of China's agriculture before the 3d Plenary Session of the 11th CPC Committee was that under the influence of erroneous "leftist" ideology, a very great one-sidedness and serious subjective tendencies existed in guiding agricultural production, the vast majority of the cultivated land and the rural workforce being devoted to grain production. As a result, despite increases in grain yields within a short period of time, no increase in cash crops occurred for a long period of time. Edible oil, cotton, and sugar had to be imported, the peasants could not become well off, and living standards could not improve. Conversely, this enabled grain production to increase slowly. Consequently, the CPC Central Committee and the State Council decided to readjust the structure of agriculture, make planned reductions in the grain growing area in places suitable for the growing of cash crops to increase the growing of cash crops. At the same time, they either reduced or exempted needy areas from grain procurement, enabling the peasants to rest and recuperate. The state increased imports as a means of solving the resulting problem of reduced grain procurement and increased expenditures for grain. In 1980, Premier Zhao Ziyang said explicitly that eating imported grain used to be termed revisionism, and eating grain purchased at negotiated prices was termed capitalism, but these two labels must be removed. Importation of a certain amount of grain was necessary. This helped in many ways, and it helped reform. In order to enliven agriculture nationwide, the CPC Committee and the State Council made a series of important policy decisions, one

of which was to import between 10 million and 15 million tons of grain annually. Fifteen million tons is 30 billion jin. This enable some places in the country to rest and recuperate, and some places instituted a policy of suiting general methods to local circumstances. Never mind that 30 billion jin of grain was not a large amount. It played no small role, and it was a correct measure for enlivening the agricultural economy. On 30 March 1981, the CPC Central Committee and the State Council noted explicitly in transmitting State Agricultural Commission circular notice, "Report on Active Development of Rural Economic Diversification" that "the CPC Central Committee and the State Council have decided to continue imports of a certain amount of grain for some years to come. People's governments at all levels should gradually readjust proportional imbalances within the agricultural economy gradually and in a planned way insofar

as a balance between grain supply and demand permits. In this task, the direction is to be firm, and the steps taken circumspect." On the basis of this decision of the CPC Central Committee and the State Council, approximately 13 million tons of grain were imported in both 1980 and 1981. This was more than 2 million tons more than in 1979. In 1982, the amount was further increased to 15,316,000 tons. During 1983 and 1984, China had large bumper grain harvests. National grain receipts and expenditures were balanced with a surplus, and the amount of grain in storage increased. Except for carrying out long term import agreements signed with foreign countries requiring continued importation of some grain, there was no expansion of imports. At the same time, grain exports had to be increased to reduce the adverse trade balance between imports and exports. (See Table 7).

Table 7: Table Showing Status of Grain Imports, Exports From 1979 Through 1984

	Units: 100 Million Tons of Trade Grain						6 Year Total
	1979	1980	1981	1982	1983	1984	
Net imports	182.73	237.72	239.82	279.66	194.16	113.48	1,247.57
including: Imports	216.45	262.95	260.12	306.32	222.08	172.65	1,440.57
Exports	33.72	25.23	20.30	26.66	27.92	59.17	193.00

Practice has demonstrated that the decision of the CPC Central Committee and the State Council to import grain was entirely correct, and it demolished people's formerly held ideological forbidden zone. In accordance with the spirit of relying primarily on oneself, and the principle of foreign exchange balance, grain imports were begun, and within a certain period of time, a suitably larger amount of grain was imported. This maneuver enlivened the overall situation, and played a positive role in spurring all-around development of agricultural production, enlivening the rural economy, and remedying the national grain shortfall.

First was support for readjustment of the structure of agriculture. Beginning in 1980, the state used grain imports to link sugar and grain in sugar crop producing areas, exchanging grain for sugar. In September of the same year, in approving the report of the cotton, and sugar production seminar that the State Agricultural Commission convened, the State Council decided on a national cotton and sugar development plan for the period 1981 through 1985, and a plan for the use of grain for special purposes. It also made a specific ruling on the linking of cotton and grain, and sugar and grain, namely that beginning in 1981 the state would provide grain rations for those cotton growing and sugar growing peasants who grew cotton and sugar-bearing crops in accordance with state plan and whose grain rations fell below prescribed standards. The state would also make award sales of grain to those who turned over cotton and sugar-bearing crops in excess of quota. For 15 cotton growing provinces, autonomous regions, and municipalities directly under central government jurisdiction, including Jiangsu, Shanghai, Shandong, Hebei, and Xinjiang, the base figure to be used for award sales would be

the 1980 cotton procurement plan. Once the base figures had been fulfilled, for each jin of excess procurement ginned cotton, the state would make an award sale of 2 jin of grain. For the five sugar cane producing provinces and autonomous regions of Guangdong, Guangxi, Fujian, Sichuan, and Yunnan, the procurement base figures used for 1979 sugar procurement would apply. After these procurement base figures were fulfilled, for every ton of excess procurement or excess shipment of sugar, an award sale of 1 ton of grain would be made. For the four sugar beet producing provinces and autonomous regions of Heilongjiang, Jilin, Inner Mongolia, and Xinjiang, for each ton of sugar delivered, an award sale of 1 ton of grain would be made. These measures gave powerful support to the rapid development of cotton and sugar production. By 1984, national cotton production stood at 125,170,000 dan, nearly double the 1978 figure. The country was self sufficient in cotton with a surplus, and changed from importing to exporting it. Sugar output was 4.9 million tons, 55 percent more than in 1978. The market sugar supply situation improved greatly. During these same 5 years, production of ambari hemp, flue-cured tobacco, silkworm mulberry, and citrus fruit also developed fairly rapidly.

Second, imports remedied the country's grain shortage. During the 3 year period 1980 through 1982, state requisition grain procurement remained virtually static. In order to carry out policies, large numbers of educated youths who had been sent to work up in the mountains or down in the countryside, dependents of "remote area" staff members and workers, and former city and town residents who had been sent to rural villages returned to cities. City and town sales of grain increased substantially. As a result of a readjustment of the agricultural

structure, expansion and rise in the scope and the standards for grain sale awards for the procurement of agricultural and sideline products, as well as the amount of grain sold in rural areas increased rapidly. In 1978, agricultural sales volume was 32.7 billion jin (of trade grain). By 1982, volume increased to 52.7 billion jin or 46.3 percent of excess requisition grain procurement nationwide for that year. Grain imports made it possible to make rather good provisions for the use of grain in these regards, and they played a positive role in smooth readjustment of the national economy, and in consolidating and developing a situation of tranquility and unity.

Third, the peasants were able to rest and recuperate. As a result of increased grain imports, increase in the amount of domestic grain requisition procurement was lower than the increase in grain output. The amount of grain that rural villages retained and that the state sold back to rural villages increased, the amount of grain per capita increasing substantially. During the 26 year period from 1953 to 1978, state requisition grain procurement averaged 25 percent of grain output annually, and the amount of grain retained in villages and sold back averaged 548 jin per person per year. Requisition grain procurement during the 6 year period 1979 through 1984 fell to an annual average of 22 percent of output, and the amount of grain retained in rural villages or sold back increased to an average 765 jin per person. As a result of the fairly rapid growth of grain production during these several years, plus several downward readjustments of requisition procurement base figures, the percentage of excess procurement as a percentage of total requisition procurement increased year by year (37 percent in 1979, 42 percent in 1980, and nearly 50 percent in both 1981 and 1982. In 1983, it rose to 65 percent; and in 1984, it rose again to 70.6 percent.). Economic benefits to grain growing peasants increased substantially. As the amount of grain retained in villages increased and earnings rose, the rural economy became enlivened, peasants' standards of living improved substantially, and livestock raising also saw very great development.

Fourth, grain imports caused a reshuffling of kinds of grain grown in China. As a result of the rise in the standard of living in cities and the countryside, and development of the food products industry, demand for wheat increased year after year. During the 6 year period between 1979 and 1984, wheat sales averaged 37 percent of all state grain sales annually, and wheat obtained through requisition procurement accounted for only 28 percent of all requisition grain procurement. Wheat accounted for 85 percent of all state grain imports during these several years, and this supported a dramatic increase in demand for fine grain consumption (meaning wheat flour and rice).

D. Changing the Grain Procurement Pricing Method To Eliminate the Differences in Economic Benefits Between Regions

The 1965 institution of a policy of "fixed requisition procurement figures, and an added price for excess procurement" played a positive role in encouraging peasants to increase grain output and to sell more of their excess grain, and in allowing the state to control more commodity grain. Nevertheless, with changes in the development of agricultural production, various new contradictions occurred in actual work under the existing method whereby an additional price was paid for procurement above quota, i.e., two different grain procurement prices, namely a procurement price and an excess procurement price. First, requisition procurement base figures varied from place to place, and the additional income peasants obtained for excess procurement differed. There was an unequal sharing of weal and woe. Old commodity grain producing areas that had historically provided substantial amounts of commodity grain, and which had made a substantial contribution to the country, got only a small amount of money from the added excess procurement price. Despite a reduction in the high base figures originally set for these areas, there was a limit to the amount of reduction that could be made, and these areas had relatively little potential for increasing production, so the amount of grain they produced beyond quota was not very much. On the other hand, newly developed commodity grain producing areas made a substantial amount of money from the added price paid for excess procurement grain, because the originally set base figures were low and the amount of excess grain procurement was large. A look at the amount of excess procurement grain as a percentage of total requisition and excess procurement in all provinces, autonomous regions, and cities under direct central government jurisdiction for 1982 shows a maximum of 70.5 percent, and a minimum of 17.4 percent. The percentage gap was greater between one province and another, one production team and another, and one household and another. Some production teams and households were unable to fulfill even their requisition procurement base figure, and could not obtain an additional sum for excess procurement. In other cases, more than 90 percent of the grain sold to the state was excess procurement grain. This was very bad for arousal of peasant enthusiasm in old commodity grain producing areas. Second, no matter the amount of grain sold the state above and beyond the base figure for requisition procurement, a single fixed excess procurement price was paid. The price could not be regulated as supply and demand for commodity grain changed. This was bad for the strengthening of macroeconomic direction of commodity grain production, as well as for stabilizing the country's financial burden. Third, the final settlement for some requisition procurement grain was made at the centralized procurement price. In other cases, payment was made at the excess procurement price. Considering that final settlement and payment was to individual households, procedures were too complex and greatly

increased the work of grassroots level procurement agencies. Moreover, the existence of different prices afforded some people opportunity to speculate, resort to trickery, and commit economic crimes.

During 1983 and 1984, the National Grain Committee held discussions on ways to solve the foregoing contradictions. Some people suggested a gradual lowering of requisition grain procurement base figures, bringing the centralized grain procurement price up to the excess procurement price level. Others proposed changing the fixed proportional price difference between centralized procurement and excess procurement, the proportional price being figured on the basis of the previous year's actual national average difference between centralized procurement prices and excess procurement prices. After much study, the State Council decided to institute the "inverse 3:7 ratio" proportional method for figuring grain procurement prices. This meant that payment to peasants for requisition procurement grain was based 30 percent on the state centralized procurement price, and 70 percent on the excess procurement price regardless of the area. The State Council also suggested that a few places be selected for the running of pilot projects on this plan. It was tried out first on the 1984 summer harvest in Hubei Province. Later on, it was tried out on the autumn harvest for the same year in various provinces, autonomous regions, and cities under direct central government jurisdiction, including Heilongjiang, Inner Mongolia, Shanxi, Sichuan, Guizhou, Shanghai, Fujian, Shaanxi, Xinjiang, Qinghai, and Tianjin. CPC Central Committee Document No 1 dated 1 January 1985 ruled that centralized procurement would be abolished beginning in 1985 in a change to fixed contract procurement. The "inverse 3:7 ratio" proportional price procurement method was instituted everywhere in the country for fixed procurement purchases. Grain remaining after fulfillment of fixed procurement quotas could be freely purchased or sold. In order to institute a premium price for premium quality and a low price for low quality in grain procurement, later on the State Council ruled that all provinces, autonomous regions, and municipalities under direct central government jurisdiction could make appropriate upward adjustment in the proportional price increase for easily marketable, fine quality varieties figured on the basis of state-set fixed procurement amounts of varieties, so long as the overall "inverse 3:7 ratio" proportional price level was not violated. They could also lower the proportional price increase for low quality varieties having relatively poor or slack sales. With the institution of this major reform, a look at different areas showed an increase in earnings of old commodity grain producing areas, and maintenance or slight decline in the previous earnings of new commodity grain producing areas. This basically solved the problem of imbalance in requisition procurement base figures for new and old producing areas, and the contradiction in unequal sharing of weal and woe in economic benefits. This reform additionally simplified the task of figuring procurement prices, and set the stage for subsequent gradual rationalization of the grain pricing system. In a situation in which restrictions were removed on most agricultural and sideline

products, just what changes would occur in the "inverse 3:7 ratio" proportional procurement price for grain and the proportional price of other agricultural products and byproducts, and how to perfect the contract fixed procurement system to help development of commodity grain production would require further practice, study, and discussion.

Section II. Steadily Opening and Invigorating the Grain Circulation System

Beginning with centralized procurement and centralized marketing of grain in 1953, commodity grain remained under centralized state control. It was sold solely by designated grain units in a single channel system that controlled flow. Most of the grain that peasants produced was centrally purchased by grain units, and grain rations for city and town residents, and for rural households producing no grain, grain used for industrial and commercial purposes, and grain used for award sales in procurement of agricultural and sideline products was provided by grain units in accordance with state regulations. Except for permitting peasants to deal with each other in small amounts of grain to even out surpluses and shortages once they had fulfilled their state grain requisition procurement quotas, and allowing supply and marketing cooperatives to deal in some negotiated price grain, no other units or individuals were permitted to deal in grain. This was a necessary way of doing things in a situation in which the per capita availability of grain was rather low, and contradictions between grain supply and demand were fairly sharp. It also played an active role in overall planning that took all factors into account, overall allocations, centralized movement of grain nationwide, and in insuring basic grain needs for all. Nevertheless, the centralized control, dealings in grain solely by designated units, and the single channel for flow produced a situation in which grain needed by society was mostly completely under state control. This resulted in the state having to make big purchases or big sales at times, or even having to buy too much grain. This increased the state's grain burden and financial burden, and it also adversely affected peasant enthusiasm for producing commodity grain. It was also disadvantageous to the enlivening of grain dealings and reliance on social forces to even out grain surpluses and shortages. Consequently, once the grain situation gradually took a turn for the better in accordance with the principle of "insuring the leading role of the planned economy supplemented by market regulation," it became simultaneously necessary and possible gradually to remove restrictions from and to enliven continued adherence to planned control over grain flow. Following the 3d Plenary Session of the 11th Party Central Committee, the following reforms were made in this regard:

A. Restoring the Country Grain Fair Trade and Promoting the Purchasing and Marketing of Grain Through Negotiation

Under the influence of "leftist" thinking during the 10 years of turmoil, most places closed their country fair

grain markets, and purchases and sales of grain at negotiated prices also came to a halt. Between 1976, when the Jiang Qing counterrevolutionary clique was smashed, until 1978, country fair grain markets and dealings in grain at negotiated prices were also limited as a result of continued following of some "leftist" policies in economic work. In December 1978, a 3d Plenary Session of the 11th Party Central Committee communique; explicitly stated that "commune members private plots, family sideline occupations, and country fair trade are necessary supplements to the socialist economy, and no one may interfere with them arbitrarily." "Work Regulations For Rural People's Communes (Trial Draft)" ruled even more explicitly that "once state requisition procurement quotas have been fulfilled, commune members are permitted to sell small quantities

of grain and oil-bearing crops in country fair markets. Grain units may also purchase and sell them at negotiated prices." From this time on, country fair trade in grain, and dealings at negotiated prices gradually revived and developed.

At the end of 1984, the number of farm trade markets nationwide had grown to 56,500, 50,000 of them in rural villages. A Ministry of Commerce Negotiated Grain Procurement and Sales Bureau extrapolation of the volume of grain transactions in 197 country fair markets showed a gradual year-by-year rise in the volume of country fair grain grain transactions nationwide between 1978 and 1984. (See Table 8).

Table 8. Table Showing Volume of Country Fair Grain Transactions

Year	78	79	80	81	82	83	84
Trade grain (100 million jin)	50	81	90	125	152	183	167

The revival and development of country fair grain trade played a beneficial role in stirring peasant enthusiasm for developing commodity grain production, expanded sideline production, enlivened markets, and served the livelihood of people in cities and the countryside.

After 1979, grain units' negotiated purchase and sale work also revived and developed rapidly. More than 20 provinces, autonomous regions, and cities under central government jurisdiction nationwide set up companies dedicated to negotiated purchase and sale of grain. Grain unit involvement in negotiated purchases and sales was primarily for the purpose of providing support to production, evening out surpluses and shortages, enlivening markets, and holding down grain prices. They also used purchases at negotiated prices as an auxiliary channel for controlling sources of grain. This was an important economic policy for implementing readjustment policies, for suitably expanding grain market regulation, and for gradually enlivening grain dealings, the better to spur the enthusiasm of grain growing peasants for production and for doing a good job of grain supply work.

In accordance with pertinent State Council regulations, the principles that grain units followed in grain dealings at negotiated prices were as follows:

First was to uphold the leading role of planned procurement and planned supply, market regulation being supplementary. Planned procurement was the main channel for state control of grain sources to insure planned supply. Negotiated procurement could be used only after fulfillment of state procurement plans was guaranteed, and it required discussion with peasants, and free will sales. There could be no forced exactions. Grain rations that the state supplied to peasants lacking grain, added grain rations for the non-agricultural population, and grain supplied at list prices within plan to industrial and commercial firms could not be procured at negotiated

prices. During normal harvest years, first came procurement purchases followed by negotiated price purchases. Production units and peasants who did not fulfill their state procurement plans could not participate in negotiated price purchases. In 1984, a bumper grain crop was harvested throughout the country. In order to satisfy peasant demands to sell their surplus grain, many places opened markets simultaneous with autumn season grain and oil-bearing crop requisition procurement, providing multiple channels for purchases and sales, both grain unit requisition procurement and procurement at negotiated prices going on at the same time.

There were two kinds of negotiated grain purchase as follows: One was negotiated prices arrived at through direct discussions with production teams, groups, or peasant households. This was the principal kind. The second was grain purchased for country market trade that remained unsold in markets. By this is meant that when markets were about to close, grain units bought remaining surplus grain for which the price was relatively low, turnover rather slow, and supply greater than demand.

Second, depending on the market supply and demand situation, state grain units took in or released grain, or both took in and released grain in order to protect peasant enthusiasm for production and consumers' interests. When market prices for grain were fairly low in bumper harvest years or in places having bumper harvests, grain units bought more grain at negotiated prices and sold less of it at negotiated prices in order to prevent low grain prices from hurting the peasants. During lean harvest years, and in lean harvest areas, when surplus grain was rather scant in rural villages and the market price of grain rises, they bought little or no grain at negotiated prices. When necessary, they sold large quantities of negotiated price grain in order to drive down market grain prices; they attacked speculation and profiteering; and they protected the interests of consumers. At the same time, grain units in all jurisdictions did a

good job of evening out surpluses and shortages of negotiated price grain between one area and another, and helped all jurisdictions move grain from bumper harvest areas to lean harvest areas to reduce pressures on state plan allocations and transfers.

In the sale of grain at negotiated prices, expenditures had to be kept within the bounds of income. When the supply of grain permitted, active plans were made to supply negotiated price grain, all possible being done to satisfy the needs of all concerned, and full use made of the role of state-owned grain business participation in market regulation to do a good job of balancing supply and demand for grain outside plan. Supplies of grain removed from centralized sales and supplied at negotiated prices were guaranteed through plan or contracts.

Third was concurrent concern for the interests of producers and consumers through equitable setting of negotiated purchase and negotiated sale prices. Grain units played a leading role in market regulation. Mostly they applied price levers and the advantage they enjoyed in having business grain business outlet facilities in cities and the countryside all over the country. They could use purchase and sales activity to lead and influence grain markets. Negotiated grain purchase and sale prices were arrived at on the basis of free prices in country fair trade; however, they did not entirely follow country fair prices. Buying up and releasing grain through purchases and sales at negotiated prices caused country fair prices to stabilize at a certain level. This helped peasants develop commodity grain production without excessively increasing the burden on consumers.

Negotiated procurement prices were set differently for different areas, different harvest years, different seasons, different varieties, different quality, and different supply and demand situations. Prices tracked the market and were somewhat lower than market price. During peak market periods, negotiated prices might be a little lower, and during the slack season a little higher. Because of consecutive year bumper grain harvests between 1979 through 1984, the amount of surplus grain increased, so in most areas the state-set excess procurement price was close to the country fair price. Consequently, in some provinces grain purchased from production teams or households at negotiated prices was paid for at the excess procurement price. In some places, the negotiated procurement price was slightly higher or slightly lower than the excess procurement price.

Generally speaking, the negotiated sale price was set on the basis of the negotiated purchase price (or delivery price), plus a fair fee and a reasonable profit. In places in which country fair grain prices rose substantially, grain units set prices according to the market. When negotiated sale prices were slightly lower than market price, they sold more grain at negotiated prices. This caused the market price to drop to where market supply and demand was stable, and buying and selling was normal. Prices of

negotiated price grain transfers between areas were decided through discussion by both parties to the transfer.

Fourth, both negotiated grain prices and parity grain prices had to be rigorously separated; transactions had to be kept separate; and settlement had to be made separately. There could be no intermingling without approval of higher authority. Grain units could store both kinds of grain in the same warehouse, but they must rigorously separate all else such as management of purchases and sales, financial accounting, and use of funds. They could not be co-mingled. When there was a substantial amount of negotiated price grain in storage, but supplies of parity price grain were low and in need of replenishment, only with the approval of the State Council, or of provincial, autonomous region, or centrally administered municipal people's governments might the negotiated price grain be converted to parity price grain. After redesignation, payment of the difference between the higher priced negotiated price grain and the parity price grain was the responsibility of the financial authorities at the level approving the redesignation. When the State Council approved a grain "transfer from negotiated price to parity price," the unit in charge of the grain was responsible for making the transfer and local authorities could not refuse. No unit could convert parity price grain to negotiated price grain without permission from higher authority and unless there were special circumstances. When local governments temporarily used negotiated price grain in sales at parity prices, or used parity price grain in sales at negotiated prices, they had to be sure to regard such transactions as loans that had to be repaid.

As an auxiliary vehicle for centralized procurement and centralized sales, grain units played an important role in supporting grain production, adjusting supply and demand, holding down market grain prices, and enlivening grain dealings by actively buying and selling grain at negotiated prices.

1. They satisfied peasants need to sell surplus grain, thereby supporting grain production. Following the 3d Plenary Session of the 11th Party Central Committee, grain production developed steadily. After 1982, in particular, when large bumper crops were harvested for 3 consecutive years, once the peasants had fulfilled their state requisition procurement and excess procurement quotas, they had quite a bit of surplus grain that they needed to sell. Grain units actively engaged in procurement at negotiated prices, which basically satisfied the peasants' need to sell their surplus grain. As a result, peasant income increased.

During the 6 year period 1979 through 1984, a total of 117.3 billion jin of grain was procured at negotiated prices, an average of 19.6 billion jin each year, two times again the 1978 figure. (See Table 9).

Table 9. Table Showing Negotiated Grain Procurement, 1978-1984

	Units: Trade Grain, 100 Million Jin						
	1978	1979	1980	1981	1982	1983	1984
Negotiated procurement amount	65	105	172	209	350	151	186
Negotiated price procurement as a percentage of requisition procurement for the year	7	10	17	20	31	8	9

2. Holding down country fair grain prices, and calming people's fears. Grain units intervened in market regulation, engaging in purchases and sales at negotiated prices as a result of the bumper grain harvests. As a result, market grain prices remained relatively stable with some decline in most places. In a small number of places, a substantial rise in grain prices occurred for a time, but grain units promptly sold quantities of negotiated price grain each time. None of the sales was very large, but they had a very great effect in stabilizing market prices. The effect was very remarkable. During the spring of 1979, market grain prices rose in Weihai City in Shandong Province because of the shortage of grain rations in rural production teams that did not grow grain, and because of the need for hog feed. The market price of dried sweet potatoes was 0.23 to 0.24 yuan per jin, and the market price of corn was 0.27 to 0.30 yuan per jin. When Yantai Prefecture delivered 3 million jin of dried sweet potatoes to Weihai City, and 500,000 jin were sold below the market price, market prices began to fall. When the dried sweet potato price dropped to between 0.16 and 0.17 yuan per jin, and the price of corn dropped to 0.23 to 0.24 yuan per jin, market prices were basically stable, the state selling no more than 2.3 million jin of food at negotiated prices throughout.

3. The grain business was more lively than formally, and better satisfied the needs of all for grain. Because of the procurement and sale price inversion of parity price grain, the extent to which business was enlivened was limited. Grain used by industrial and commercial firms and by the livestock raising industry, as well as the fine quality rice and all kinds of grain needed by the public came from parity price supplies, making it very difficult to supply needs. Once grain units began making negotiated purchases and negotiated sales, this helped procurement and sales of miscellaneous grains other than wheat and rice, and rare grain varieties, and played a very great role in remedying shortages in state plan supply, regulated the people's livelihood, and enriched the kinds and varieties of foods available in markets. Some places used negotiated price grain for processing into mixed livestock feeds, which were supplied to city and country households engaged in the raising of hogs, chickens, and fish, supporting livestock and fishing industry production. In the 6 year period from 1979 through 1984, a total of 117.3 billion jin of grain was sold at negotiated prices, an average of more than 19.5 billion jin each year, 20.16 times again as much as in 1978. (See Table 10).

Table 10. Table Showing Negotiated Grain Sales, 1978-1984

	Units: Trade Grain, 100 Million Jin						
	1978	1979	1980	1981	1982	1983	1984
Negotiated sales amount	9	45	98	130	159	207	534
Negotiate sales as a percentage of total sales for the year	0.8	4	8	10	11	15	34

In 1984, negotiated sales volume increased substantially, mostly because parity price grain procurement for the year greatly exceeded plan. For a time there was too much grain in storage. Granaries were in very short supply. However, social demand for grain outside plan was also large; consequently, following State Council approval, some parity price grain was turned into negotiated price grain to provide supplies outside plan.

Between 1979 and 1984, grain units nationwide realized a profit of nearly 4.1 billion yuan from dealings in negotiated price grain, thereby reducing the amount paid by the national treasury to subsidize the purchase and selling prices of parity price grain.

4. Supplementing parity price grain in storage to ameliorate grain supply and demand conflicts in some places. Between 1980 and 1984, following approval, jurisdictions converted 28.5 billion jin of negotiated price grain

to parity price grain that the central government centrally allocated. This made a positive contribution to balancing state grain receipts and expenditures, and to making up the allocation shortfall within plan. Additionally, some places were not self-sufficient in grain, and the amount brought in to these areas within plan was scarcely enough to satisfy needs. Some self-sufficient or surplus grain areas also needed to regulate available varieties from outside plan. After discussions between both parties to allocation and transfer, some negotiated price grain was transferred among areas to solve the supply and demand conflicts in these areas. Between 1979 and 1984, transfers of negotiated price grain among provinces, autonomous regions, and cities under direct central government jurisdiction amounted to 30 billion jin.

As was said above, the beginning of grain purchases and sales at negotiated prices was a major reform in grain work following the 3d Plenary Session of the 11th Party

Central Committee, which was very successful. With the development of production and reform of the grain control system, purchase and sale of grain at negotiated prices was to play a further active role.

B. The Adoption of the Contracting System in Which the Provincial Authorities Must Be Responsible to the Central Authorities for the Quantity of Grain Purchased, Marketed, or Allocated, the Insufficient Part of Grain Outside the Planned Quota Should Be Mainly Made Up Through the Market Adjustment

Between 1979 and 1981, agricultural contract systems linked to output were promoted only in some areas. Rural economic policies and grain policies continued to be readjusted, so in some places where policies had just begun to be put in place, their force was not yet fully apparent. In addition, during the last 2 years, some areas suffered serious natural disasters. Although their grain output was greater than in 1978, development was slow. In order to allow the peasants to rest and recuperate, the state did not increase requisition procurement very much during these 3 years, but sales volume climbed dramatically and the gap between state grain procurement and expenditures became increasingly large. This showed up in the grain transfer situation in which surplus areas made increasingly fewer deliveries, while grain-short areas' requirements for deliveries greatly increased. The contradiction was very large, the conflict between supply and demand for rice being particularly prominent. Every jurisdiction readjusted its agricultural structure, and they also had to have a pretty good idea about grain output and need, and the supply and demand situation. In view of this situation, both the State Council and the Ministry of Grain believed that reform of the grain management system was very necessary, and they recommended that the Central Committee institute grain contracting with provinces. They believed that by so doing the enthusiasm of both the central government and provincial governments for joint control and use of grain could be brought into play, thereby better linking requirements and possibilities. This would better help each jurisdiction to suit general methods to specific circumstances to plan its own grain receipts and expenditures and do a good job of readjusting its agricultural structure.

In 1980, the central authorities first instituted the contracting of delivery, guaranteed to remain in effect for several years, for Guizhou, Yunnan, Gansu, and Inner Mongolia; however, there could be increases or decreases from one year to another depending on whether the harvest was bumper or lean. Some provinces also instituted different forms of grain contracting with prefectures and counties. This produced certain beneficial results in the rational readjustment of the agricultural structure, in controlling the amount of grain sales, and in amounts allocated and transferred. At the national grain conference that the Ministry of Grain convened, a preliminary plan whereby the central government would institute procurement and marketing transfers and financial contracting with provinces was

discussed. In a circular approving and forwarding the conference report, the State Council noted on 13 November that until such time as the grain system is completely reformed, it is intended that different circumstances be differentiated and handled in different ways. The whole country should not do everything in an "arbitrarily uniform way." The circular also provided that (1) the grain transfer contracting guaranteed for several years without change that the State Council had already explicitly instituted could continue to be instituted. (2) If some provinces desired to institute contracting of grain procurement, marketing and allocation guaranteed unchanged for 3 years, grain units and the province should consult with each other, propose a specific plan, and report it to the State Council. Following approval, they could proceed on a trial basis. (3) If some provinces wanted to implement excess requisition procurement quotas guaranteed for 3 years with production teams, the central governments would also have to institute contracting methods with these provinces for procurement, marketing, and allocation guaranteed for 3 years. Simply setting excess requisition procurement quotas for the peasants, with unrestricted sales, grain losses being reported to the central government would not be allowed. Provinces, autonomous regions, and municipalities under direct central government jurisdiction that did not want to institute contracting, could continue procurement, marketing, and allocations and transfers guaranteed for 1 year.

In 1981, the nationwide rice allocation gap was fairly large. In order to help meet urban and export requirements, during the spring of the same year, Minister of Grain Zhao Xinchu [6392 6580 0443] and three deputy ministers, namely Yang Shaoqiao [2799 1421 2890], Zhao Fasheng [6392 4099 3932], and Ji Ming [1323 6900] went to Jiangxi, Hunan, Hubei, Jiangsu, Anhui, and Zhejiang provinces to discuss with them rice shipments outside their provinces. Out of regard for the overall situation, all of the provinces completed plans for allotments for that year, and some provinces also discussed plans for making rice deliveries for 3 years without change.

In order to do a better job of planning grain procurement, marketing and allocation, in 1981 half of the country's provinces and autonomous regions had already instituted or were about to institute different kinds of grain contracting methods. Acting on the basis of the CPC Central Committee principles for reform of the economic management system and State Council views on instituting grain contracting, the Ministry of Grain summarized the contracting experiences of various jurisdictions preliminary to drawing up "Grain Procurement, Marketing, and Allocation Contract Management Methods." After presenting it to the National Grain Conference for discussion and revision in October 1981, it requested State Council examination and approval. On 13 January 1982, the State Council handed down, "Circular on Instituting Requisition Procurement, Marketing, and Allocation Contracting Effective

For 3 Years." This circular provided that beginning with the 1982 grain year, the central government would institute grain contracting with all provinces, autonomous regions, and municipalities under direct central government jurisdiction with the exception of Tibet and Xinjiang. To the circular was appended grain management methods prepared by the Ministry of Grain pertaining to implementation of requisition procurement, marketing, and allocation of grain effective for 3 years, which all jurisdictions were asked to conscientiously put into practice. In the circular, the State Council emphasized the need to uphold policies for the centralized procurement and centralized marketing of grain, doing a good job, and doing all possible to narrow the gap between grain receipts and expenditures. In grain distribution, it stressed the need for overall planning taking all factors into consideration, proper arrangements, and correct handling of relationships among the state, collectives, and individuals. In implementing grain contracting, it was necessary both to stabilize the peasants' burden and arouse peasant enthusiasm, and also to insure the state's indispensable grain needs. It was necessary both to look after local grain needs and also to keep the overall situation in mind to make a greater contribution to the country. It was necessary both to fulfill grain contracting quotas, and also to insure normal allocation of industrial manufactures using grain as a raw material or agricultural and sideline products used in award sales for grain. Once grain contracting was instituted, when State Council units concerned formulated policy measures, anything having to do with local reduction of procurement and increased sales of grain would have to be agreed to in advance by each province, autonomous region, and municipality under direct central government jurisdiction.

The grain procurement, marketing, and allocation contract management method that the State Council approved contained the following main points:

First, in arriving at applicable contracting figures, actual figures for the previous several years would be consulted and factors causing a change in grain production and sales for the next several years forecast. A decision would then be made in consultation with all provinces, autonomous regions and municipalities under direct central government jurisdiction to remain effective for 3 years. Grain requisition procurement figures included requisition procurement base figures and excess procurement quotas. Sales contracting figures included both non-agricultural and agricultural sales, as well as central government expenditures of grain for special purposes. Allocation contracting figures included not only total out-shipments and in-shipments, but also in-shipments and out-shipments of principal specific kinds of grain.

Second, in order to adapt to the new situation of a rural family contract responsibility system linked to output, the state also instituted contracting for grain in excess of requisition procurement quotas with production teams and households having surplus grain, the contracting

being guaranteed to remain in effect for 3 years. When setting excess procurement contracting figures, all provinces, autonomous regions, and municipalities under direct central government jurisdiction could add in some variable figures to even out bumper harvests and lean harvests. Excess requisition procurement quotas for production teams, groups, and households would have to list the amounts of specific kinds of grain to be sold to the state. After fulfilling their excess requisition procurement quotas, production teams, groups, and households had the right to dispose of all surplus grain as they saw fit. Production teams growing cotton, sugar crops, and vegetables, or operating fisheries or salt producing enterprises, or engaging in forestry, and animal husbandry in accordance with state plan who sold their products to the state in accordance with plan and had no grain could institute contracting of grain sale quotas to be in effect for 3 years. Third, state-set requisition grain procurement, sales, allocation and transfer figures for provinces, autonomous regions, and municipalities under direct central government jurisdiction were not readjusted. Grain that the central government truly had to reallocate during major disaster years had to be paid back later. Allocation and transfer contracting figures might increase or decrease with bumper years or lean years, but a centralized settlement was made once every 3 years and all out-shipments had to be completed in the exact amount, and in-shipments could not exceed the limit.

Fourth, after contracting grain, a two-tier central government and province (or municipality, or autonomous region) control system was practiced. This meant that state grain reserves, grain in revolving storage under direct central government control, grain allocated and transferred among provinces, negotiated price grain converted to parity price grain that reverted to central government control, military grain, grain used in award sales for cotton and sugar crops, and import and export grain was under centralized central government control. Grain requisition procurement, grain sales, set amounts of grain in revolving storage, negotiated price grain in storage, and grain held in reserve for the armed forces was under control of provinces, autonomous regions, and municipalities directly under central government jurisdiction.

Fifth, after grain contracting was instituted, all jurisdictions had to implement centrally prescribed CPC Central Committee and State Council plans and policies, such as base figures for requisition grain procurement, the limits and extent of added prices paid for excess procurement grain, award sales of grain for cotton and sugar crops, the grain ration for rural population converted to city and town population, the grain ration for cities and towns, and grain price control policy. In addition, each jurisdiction could suit general circumstances to specific situations as circumstances warranted to formulate specific measures for implementation.

During the first year in which the central government contracted grain procurement, sales, allocation and

transfer to provinces, i.e., 1982, thanks to further implementation and perfection of rural economic policies and increased grain imports, the burden on the peasantry was lightened, agricultural production developed more rapidly, and grain output increased nationally by more than 59 billion jin for a very good situation. Nevertheless, the contradiction between supply and demand, which was reflected in national grain receipts and expenditures, continued very great. This was attributable primarily to expenditures being greater than receipts in the originally prescribed grain contracting plan, leaving a rather large gap. In addition, some areas suffered natural disasters, great variations occurring between one area and another in bumper and lean harvests. This widened the national gap between receipts and expenditures of grain. This meant that areas that had contracted to make grain shipments were unable to fulfill their outshipment quotas. Some even needed deliveries, and places that had contracted for deliveries needed increased deliveries. In order to sustain true grain contracting, the State Council proposed in "Notice on Genuinely Good Performance of Grain Work" dated 28 November that all provinces, autonomous regions, and municipalities under direct central government jurisdiction requiring deliveries of grain outside contracted quotas should receive negotiated price grain first; second, jurisdictions should apportion negotiated price grain among themselves; and third, the central government could loan some grain, interest payments and expenses on it to be borne by local jurisdictions. Shipments of loaned grain would have to be repaid within 3 years. Provinces and autonomous regions having lean harvests could bring in negotiated price grain. Later on when they had a bumper harvest, after fulfilling their contract quotas and repaying their debt, they could also make grain shipments of negotiated price grain. Negotiated price grain used for rations and within plan had to be sold at the parity price. At the end of March 1982, all grain stocks were under central government jurisdiction, and could not be touched by other jurisdictions. The State Council notice played a positive role in spurring all provinces to strengthen grain management, hold down amounts sold, and reduce the need for grain deliveries.

Bumper grain crops were harvested again in both 1983 and 1984, and new changes occurred in the contracting of procurement, sales, allocation and transfer. In procurement, the peasants urgently clamored to sell more of their surplus grain, and grain units in all jurisdictions thought of ways to buy and store more grain. In some places, however, the peasants found it "difficult to sell grain." In grain allocation and transfer, there was a general demand for more outbound deliveries and fewer inbound shipments. In order to protect peasant enthusiasm for growing grain and to carry out grain contracting, in October 1983, State Council Deputy Premier Tian Jiyun enunciated the State Council's decision at a national grain work conference. He said that once all requisition procurement quotas were fulfilled, the state would buy at the excess procurement price all surplus grain that the peasants wanted to sell. The state would

not limit the amount, much less would it refuse to buy. This conference also decided to continue true grain contracting. All grain that local jurisdictions purchased in excess of contracted amounts could be sold to the central government, minus amounts that the local jurisdiction needed for its own use. The state would not refuse any amount offered, no matter how much or how little. The state would pay an added excess procurement price plus a .022 yuan per jin expense subsidy for all grain sold to it. Areas receiving deliveries should do proper planning; they should not increase their deliveries. Where grain sales exceeded the contracted amounts, local jurisdictions should solve the problem themselves.

A look at this grain procurement, sales, and allocation and transfer contracting method shows good results. Most important was the satisfactory macroeconomic handling of grain control relationships between the central government and local jurisdictions, and among local jurisdictions. This method also gave expression to the principle of linking responsibilities, rights, and benefits. Local jurisdictions planned grain production, requisition procurement, and marketing for each year on the basis of the prevailing situation and within the purview of contracting. This helped arouse local initiative and enthusiasm for good grain management. In particular, it played a rather good role in controlling the volume of unnecessary grain sales, thereby reducing unnecessary grain shipments.

C. The Implementation of Multichannel Management of Food Grains With the State-Run Grain Trade Playing the Leading Role

In a notice titled, "Various Problems in Prevailing Rural Economic Policies" dated 2 January 1983, the CPC Central Committee provided that "peasants should be permitted to deal through multiple channels in products remaining following fulfillment of assigned procurement and centralized procurement quotas (including grain, but not cotton), and products for which no centralized or assigned procurement quotas exist." In order to carry out the spirit of this notice, in mid-January, Minister of Commerce Liu Yi [0491 3015] presided over the convening of a conference of grain department (or bureau) heads from all provinces, autonomous regions, and municipalities under direct central government jurisdiction for the purpose of studying grain dealings conducted through multiple channels. Following discussion and study, "Trial Regulations Regarding Various Problems in Multi-Channel Dealings Following Fulfillment of Grain and Oil-Bearing Crop Central Procurement Quotas" (abbreviated to "The Regulation") was drafted. On 22 January 1983, the State Council Office forwarded "The Regulation," which provided primarily that state centralized grain procurement quotas (including requisition procurement and excess procurement quotas for different kinds of grain) were command plans the fulfillment of which must be guaranteed. Surplus rural grain

remaining in a county following fulfillment of requisition grain procurement and excess grain procurement quotas could be sold through multiple channels. Grain departments should actively engage in grain procurement and sales at negotiated prices for the purpose of regulating the grain market, bringing into play the role of the primary channel. Supply and marketing cooperatives and other rural cooperative business organizations might also buy and sell grain as they saw fit, and private business could also deal in grain. Grain could be shipped into cities, and it could also be shipped out of counties and out of provinces. At the same time, the regulation that provided that procurement and sale of grain at negotiated prices was to be centrally conducted by grain departments, the regulation requiring provincial grain department (or bureau) approval of movements of negotiated price grain among provinces, and the regulation limiting amounts of grain that could be hauled or mailed were rescinded. Industrial and commercial firms using grain supplied outside state plan as a raw material could buy grain for processing into finished products for sale. The "four kinds of mills" in rural areas, and beverage businesses could not only process materials brought in from elsewhere but also themselves buy grain for processing into finished products for sale. Official agencies, the armed forces, official bodies, schools, factories and mines, and institutions could also buy grain for their own consumption, but they were not permitted to deal in grain. Units dealing in grain presented grain transport plans to shipping units, and the regulation requiring that transportation of negotiated price grain be centrally approved by grain departments was rescinded. After multi-channel grain dealings were approved, state marketing of grain, and particularly rural grain sales, were gradually curtailed. In some cases, they changed to sales in the nature of borrowing, and in other cases, they changed to sales at negotiated prices. As various kinds of specialized households, particularly households specializing in the raising of livestock, developed, the amount of grain and livestock feed increased steadily. Supplying grain was no longer entirely a state responsibility; instead it was supplied through multiple flow channels.

Dealing in grain through multiple channels once centralized grain procurement quotas were fulfilled was a major reform in the grain circulation system. Practice demonstrated this policy to be a correct one. It played an important role in keeping channels of circulation open, in spurring the development of agricultural production, and in enlivening city and countryside markets; and it also played an active role in gradually changing the situation in which only grain departments bought and sold grain, stimulated a change in the way of doing business, improved service quality, and increased economic benefits.

After the buying and selling of grain through many different channels was instituted, in order to enliven dealings, grain departments in quite a few places set up various kinds of grain trade centers and revived the

traditional rice and grain markets. This was a fine trend that enlivened the flow of commodity grain.

1. Establishment of Grain Trade Centers

In the "Government Work Report" he delivered to the second session of the 6th NPC in May 1984, Premier Zhao Ziyang noted that "all cities and all collecting and distributing centers for agricultural and sideline products should gradually set up various kinds of trade centers and wholesale markets." At the same time, he announced that the practice of autarky and protection of backward methods would not be permitted. Acting on this request, the Ministry of Commerce announced at a national conference on requisition procurement of summer grain convened in May 1985 that various kinds of negotiated price grain and oil-bearing crop trade centers, wholesale markets, or warehouses should be established gradually in cities and at commodity grain collection and distribution sites. Everyone including state-owned enterprises, collective enterprises, or individuals, and any place or department could engage in transactions, compete with each other, and sell jointly. They could also commission trade centers to purchase, sell, transport, store, or process grain on their behalf. Trade centers worked partly for themselves, and partly as agents for others, engaged in both large scale wholesaling and small scale buying and selling, and performed both cash transactions and specie exchanges.

Pilot projects at some places showed that an important condition for the survival and development of trade centers was dealings through multiple economic channels with the backing of state-owned wholesale companies. Commodity exchanged conducted through trade centers helped bring producers and marketers together, helped break down boundaries between areas and industries, and function to keep circulation channels clear and speed up the turnover of commodities.

In May 1984, the CPC Central Committee and the State Council approved a pilot project for comprehensive reform of the economic system at Wuhan in which the running of the Wuhan Grain and Edible Oil Food Trade Center was one of the centerpieces. After the Wuhan Grain and Edible Oil Food Trade Center began operation on 5 September 1984, 43 grain and edible oil enterprises formed stock share partnerships in eight provinces and autonomous regions, namely Guizhou, Sichuan, Gansu, Shaanxi, Fujian, Guangdong, Hubei, and Xinjiang. This trade center had as its goal serving the flow of commodity grain and oil, advancing and guiding the development of grain and oil food production, and satisfying the needs of all parties. Located in Wuhan, it was oriented toward the whole country, and it used many different flexible ways of doing business including buying and selling by itself, joint buying and selling, acting as an agent in buying and selling, specie exchange, acting as an agent for storage and transportation, undertaking processing, and technical development, developing lateral economic relationships with all

areas, and with all trades and industries. In pricing, it followed the spirit of a small per unit profit on volume sales, and mutual benefit. It did business in grain, oil-bearing crops, fats and oils, grain and oil foods, livestock feed, and cake residues, as well as grain and oil machinery, and packaging materials. This was a new experiment that enlivened circulation and satisfied the needs of many parties.

2. Revival of Traditional Rice Markets

"Rice markets" are exchanges and assembly and distribution markets for paddy rice. The middle and lower reaches of the Chang Jiang, where the soil is fertile and rainfall copious, and where the land is crisscrossed with a network of waterways, which suit it to the growing of paddy, is a major rice growing region. The historically renowned four large rice markets at Wuxi, Wuhu, Jiujiang, and Changsha were all located in the middle and lower reaches of the Chang Jiang where water and land transportation is very good. These cities relied on their own geographic location and economic conditions for the natural formation of rice assembly and distribution centers. The "Wuxi Rice Market" in Jiangsu Province became one of the four large rice markets in the country as long ago as during the reign of Guangxu in the Qing Dynasty, handling as much as 10 million dan of rice each year in peak periods. After reopening in 1982, business became more and more lively. Production of a rare rice called "Yunuo," which was historically used as tribute, as well as famous and precious kinds of rice such as fragrant japonica and ducks blood glutinous rice, renowned for a "fragrance wafting 10 li," was revived and spread from the "rice market" to domestic markets where premium quality commanded premium prices. The "Wuhu Rice Market" in Anhui Province is connected to many grain growing areas along both shores of the Chang Jiang. Several hundred years ago, this was a famous assembly and distribution site for rice in China. During the reigns of Jiaqing and Daoguang of the Qing Dynasty, this rice market flourished, shipping out about 5 million dan annually. After its revival in July 1984, it developed from several rudimentary business sites to six fairly large exchange markets. Thirty-six units from throughout the city and surrounding counties set up scores of shops in this market, and the number of individually operated stalls numbered more than 1,000. There were more than 300 stalls to which peasants marketed their grain directly. Most of their rice was sold in northeast, north, and northwest China. Coastal provinces such as Fujian and Guangdong were also old customers. The "Jiujiang Rice Market" in Jiangxi Province was located at the place where Jiangxi, Hubei, and Anhui provinces intersect. It bordered on the Chang Jiang and backed up to Lu Shan. It was a water and land transportation hub between south and north that readily regulated and moved a flow of grain and oil. After "rice markets" were revived, 13 grain dealers served as the backbone of the Jiujiang Grain and Oil Trade Center in the preliminary formation of a grain marketing network that took in the whole country. They operated in a

flexible way, their prices tracking the market, building lateral vocational relationships with 84 large and medium size cities and 209 prefectures and counties in 28 provinces, autonomous regions, and municipalities under direct central government jurisdiction. Hunan's "Changsha Rice Market" dates back more than 70 years. The record shows that during the mid-1930's, Changsha had 34 grain firms and 68 grain warehouses. Annually more than 1 million dan of grain flowed through this market. In 1984, funds began to be raised to re-open this market.

In "rice market" transactions buyers and sellers arrived at negotiated prices through discussion, and all deals were entered into freely in full expression of the principle of commodity exchange. Although the rice markets had not been revived for long, they demonstrated a positive role. First, they broke down the administrative zone barriers in business dealings, effectively expanding the flow of grain and making the economy boom. When rice markets flourish, many trades are invigorated. The volume of paddy rice transactions at the "Wuxi Rice Market" in 1984 surpassed the highest volume of transactions during "prime periods" in history. Within several months following its revival, the "Wuhu Rice Market" established vocational relationships with more than 400 large customers in 26 provinces, autonomous regions, and municipalities under direct central government jurisdiction with whom it signed contracts for more than 200 million jin of grain, oil, and food products. The resurgence of the rice market brought about flourishing development of the local transportation industry, livestock fodder industry, food industry and beverage services. Stimulated by the rice market, rural villages in each of Wuhu's suburban counties developed a large number of large and medium-sized food processing plants and food industries, which became the second largest industry in Wuhu after the textile industry. Second, market grain prices stabilized and declined. Wuhu municipal grain department statistics show that following the arrival in the market of the autumn grain harvest of 1984, the country fair price of japonica rice, which the city residents favor, fell from the 0.35 yuan per jin of 1983 to approximately 0.27 yuan per jin. The price of soybeans fell approximately 35 percent, and prices of grains other than wheat and rice also generally declined.

Simultaneous with the revival of rice markets, some jurisdictions also began to operate grain markets. They set up grain and oil exchanges and trade warehouses, and used various methods of market regulation to keep prices steady and the public happy.

After grain trading came to be conducted through multiple channels, not only did grain departments actively engage in procurement and sales at negotiated prices, and take part in market regulation, but the number of other departments dealing in grain at negotiated prices also increased gradually. In 1983, supply and marketing cooperatives nationwide purchased more than 5 billion

jin of grain at negotiated prices, and incomplete statistics show the amount rose to more than 6 billion jin in 1984. In 1984, grain departments in Sichuan Province purchased 1.4 billion jin of grain at negotiated prices, and grain transactions through other channels reached 4.1 billion jin, 1.9 times again as much as negotiated price purchases by grain departments. Most multiple channel grain dealings were to obtain grain for making alcoholic beverages; the second largest number was to regulate grain rations for cities and the countryside.

D. Steadily Reducing the Varieties and Quantity of the State Monopolized Grain and Expanding the Scope of Market Mechanism

Formerly, all grain varieties came under centralized procurement and centralized marketing. Grain departments purchased and supplied all grain at state-set prices. When grain was in rather short supply, this way of doing things helped the state keep close tabs on grain sources and increase control over grain. It also posed some problems, however. First, centralized procurement grain had to be centrally marketed by the state. The more procurement was centralized, the more the state had to be responsible for marketing. This hurt acceleration of the development of commodity grain production, the enlivening of grain dealings, and reducing state grain and financial burdens. Second, for some grains other than wheat and rice for which social demand is small, market regulation of supply and demand benefits producers without much adverse effect on consumers. But when such grain is centrally procured and centrally marketed, grain prices are strictly controlled making it difficult for the market to play its regulatory role. State grain procurement and marketing plans frequently concentrated on major varieties while neglecting lesser varieties. Consequently, production of some lesser grain varieties decreased until social demand could not be satisfied, and some lesser varieties virtually disappeared from markets. Third, even though centralized grain procurement was practiced in some needy areas, the state was unable to obtain very much commodity grain from them, and this was bad for some area's development of grain production and economic diversification. Therefore, in accordance with the guiding thought of "exercising strict control over major economic matters, and removing restrictions on and enlivening minor economic matters," once the grain situation began to take a turn for the better, attendant reduction in the varieties and amounts of grain centrally purchased and centrally marketed, and an expansion of the scope of market regulation became very necessary.

In the reduction of varieties and amounts of centralized grain procurement and marketing, following the 3d Plenary Session of the 11th Party Central Committee, the State Council announced first that the state would no longer allocate grain requisition procurement quotas in the Tibetan Autonomous Region. Should the peasants have surplus grain to sell, the state could buy it at negotiated prices or barter goods for it. Subsequently, the

State Council announced that once other areas had fulfilled their state requisition and excess procurement quotas, the peasants could freely buy and sell all remaining grain. In September 1984, in "Notice on Helping Needy Areas Change As Quickly As Possible," the CPC Central Committee and the State Council clearly stated that "a further liberalization of policies, free purchases and sales substituting for centralized procurement and assigned procurement" would apply to needy areas, "an overwhelming majority of which are mountain regions, but some of which are areas in which large numbers of minority nationalities live, old revolutionary bases, and remote border regions." On 19 July of the same year, in approving and forwarding "Report on Doing More About Rural Commodity Flow," which had been prepared by the State Economic System Reform Committee, the Ministry of Commerce, and the Ministry of Agriculture, Animal Husbandry and Fishery, the State Council ruled that centralized grain procurement applied only to paddy, wheat, and corn. These decisions benefited the opening of multi-channel grain dealings and further enlivened grain dealings. A look at the situation prevailing in 1983 showed paddy, wheat, and corn procurement accounted for 85 percent of total grain procurement. Therefore, reduction in the number of varieties centrally procured had little effect on state control over grain sources and state maintenance of control over the main channels. However, once restrictions were removed on other varieties, grain trading could become more lively. Take the situation in Hunan, for example. Once centralized procurement and assigned procurement of 20 different varieties including dried sweet potatoes, sweet potato starch, soybeans, broad beans, mung beans, peas, buckwheat, and oats was changed to free market purchases and sales, and the removal of restrictions on grain markets for the whole year was announced, the amount of grain regulated by the market increased greatly. During 1984, 3,167 comprehensive trade markets in cities and the countryside throughout the province collected and distributed a total of 300 million jin of grain, 17 percent more than during 1983.

In early 1985, the CPC Central Committee and the State Council further decided that beginning in 1985 centralized grain procurement would be canceled, and that fixed contract procurement would be instituted for wheat, paddy rice, and corn, as well as for soybeans from major soybean producing areas (Liaoning, Jilin, Heilongjiang, Inner Mongolia, Anhui, and Henan). Fixed grain procurement was both an economic contract and a state quota. The principal method used was as follows: County and township people's governments organized grain departments to conduct discussions preliminary to signing fixed procurement contracts for specific varieties of grain with state farms, collective agricultural production units, and peasant household, these contracts being based on fixed contract procurement plans handed down by the state. These contracts had to be fulfilled in normal harvest years. During years of severe natural disasters, appropriate reductions or

exemptions could be made. All grain produced in excess of fixed contract procurement, and all kinds of grain not subject to fixed contract procurement could be freely bought and sold. Implementation of this decision held major significance for bringing about a planned commodity economy in the grain production and grain circulation fields, and increased market purchases at negotiated prices. As a result, grain-growing peasants received increased income from increased output, and this stimulated their enthusiasm for boosting grain production. Of course, the change from centralized grain procurement (i.e., planned procurement) to fixed contract procurement also required a gradual process of perfection. In October 1985, Deputy Premier Yao Yilin stated the following at a national meeting of grain bureau directors: "Planned procurement has been practiced for several decades. We are thoroughly familiar with the way it works and its methods, which pretty much follow a set pattern. This year we have changed from planned procurement to fixed contract procurement with the goal of gradually getting away from planned procurement. It should be said that this is a major reform in grain procurement policy that results from a turn for the better in the country's grain situation. It marks a step forward." Like other reforms, a change from planned procurement to fixed contract procurement was usually something that could not be completed successfully in a single year. Fixed contract procurement required that a lot of basic work be done, and the process of carrying it out could be divided into various steps for step-by-step advance. In places having a good work foundation and proper conditions, reform proceeded more carefully; in places lacking requisite conditions, it was rougher. Methods of fulfilling fixed contract procurement varied between places having surplus grain and places having insufficient grain, in bumper harvest years, in lean harvest years, when market supply was tight, and when it was not tight. The best course was to proceed in a realistic way, advance steadily, not act with "arbitrary uniformity," and not apply rigid formulas that boxed one in.

In reducing the kinds and amounts of grain subject to centralized marketing, in addition to the varieties removed from centralized procurement for which centralized marketing was removed at the same time and market regulation substituted, the following measures were adopted to control sales volume. First, supply in accordance with plan was adhered to in providing the large amounts of grain needed for making alcoholic beverages, and the grain used for other industrial products. Grain needs outside of plan could be supplied at negotiated prices. Subsequently, the State Council also provided that as of 1 July 1984 no parity price grain would be supplied for the making of alcoholic beverages whether well-known or ordinary spirits. At the same time, it ruled that the alcohol tax would be reduced to half the previous tax rate. Beginning in 1985, grain needed for the production of alcohol, solvents, pharmaceuticals, sizing, monosodium glutamate, starch, and other industrial wares would be supplied at negotiated

prices. Second, with the exception of sugar crop procurement for which award sales of grain would continue to be made, award sales of grain for state procurement of all other agricultural and sideline products (within the purview of centralized marketing) would be abolished beginning in 1985. Third, grain used by city food, beverage, pastry, non-staple food, and alcoholic beverage firms, and grain used for livestock feed would be supplied at parity prices in some cases, and at negotiated prices in others as circumstances warranted. Following this change, the amount of state centralized marketing of grain declined. As a result of just the foregoing two provisions, state centralized grain marketing could be reduced by more than 35 billion jin.

E. Invigorating the Grain Management and Raising Economic Benefits To Meet the People's Needs More Satisfactorily

Formerly the kinds of grain departments dealt in were unvaried, and grain department business methods lacked flexibility. In rural villages, they mostly bought and sold raw grain, and in cities, they supplied mostly wheat flour, rice, and cornmeal. Although grain shops also sold some refined products such as dried noodles, cut noodles, and rice flour, they did not carry large quantities. Following the 3d Plenary Session of the 11th Party Central Committee, as the standard of living of the people in cities and the countryside gradually rose, everyone had new expectations about the kinds of products that grain departments carried and their way of doing business.

On 8 September 1981, Hu Yaobang suggested the following in a discussion with Yang Shaoqiao [2799 1421 2890], Zhao Fasheng [6392 4099 3932], An Faqian [1344 3127 0051], and Jiang Xi [1203 5045] of the Ministry of Grain: Formerly grain departments brought in raw grain and shipped out raw grain. The more they purchased and the more they sold, the more they lost money. This way of doing things has to be changed in the future. Processing has to be done, and not just rough processing, but medium processing and finished processing. High quality, medium quality, and low quality foods all have to be produced, a course taken that goes from "procurement to processing to sales." State Council deputy premiers Wan Li, Yao Yilin, and Tian Jiyuan also frequently stressed development of grain and oil food processing and livestock feed processing. In July and December 1984, the State Council issued two documents about the food industry and the livestock fodder industry. All grain departments were required to proceed from the needs of society in accordance with pertinent regulations of the CPC Central Committee and the State Council. In addition, they should actively develop grain and oil food processing and livestock feed processing, and enliven grain dealings insofar as the country's strength in grain permitted, scoring outstanding results. In 1984, grain departments nationwide used 12 billion jin of grain for the processing of foodstuffs and livestock feed, 1.14 times against as much as in 1981. This brought

about a preliminary change in the former situation of dealing in unvaried kinds of grain, inflexibility in doing business, and it played a positive role in enriching market supply, making life easier for the people, and promoting the livestock raising industry. As food and livestock feed processing developed, grain departments' economic returns also rose. In 1984, grain and edible oil industry and livestock feed industry profits reached 1.384 billion yuan in an 82 percent increase over 1981. City grain shops generally preserved their capital and made slight profit from the processing and supply of finished food products, and their earnings also increased.

Grain departments concentrated mostly on two areas in the processing and supply of grain and oil foodstuffs. One was large scale factorization of production. Grain and oil processing plants or large grain warehouses increased the number of their food processing workshops, set up mechanized and automated or semi-automated production lines to make production easier. Mostly, they produced bread and biscuits, which they supplied to city and countryside grain shops and food shops. Grain departments in some areas also set up special food processing plants, bean product plants, and grain alcohol distilleries or breweries in the development of economic diversification. Second, city grain shops made do with whatever was available for the mass processing of cut noodles, dried noodles, rice flour, steamed bread, or fritters and deep-fried twisted dough sticks, which they supplied to nearby residents. Some grain shops were grain and oil food shops in fact as well as in name, dealing in more than 200 different kinds of products. Incomplete statistics show that during 1984, grain departments nationwide processed and supplied 7.3 billion jin of grain and oil food products of various kinds. This was 4.62 times again as much as in 1978. Grain departments in Guangdong and Fujian provinces processed grain and oil foodstuffs for export, thereby increasing the country's foreign exchange earnings. The finely ground sesame oil and shrimp chips that the Zhenjiang Municipal Grain Department in Jiangsu Province produced were sold in 16 countries including the United Kingdom, the United States, Japan, and Singapore, where they were very well received.

Although grain departments livestock feed industries got off to a late start, they developed very rapidly. In 1984, the grain system nationwide processed 6.85 million tons of blended and mixed livestock feed. At an average 40 percent grain content, this consumed more than 2.7 million tons of grain.

While actively developing grain and oil food processing and livestock feed processing, which enlivened grain dealings, grain departments devoted much energy to supporting township and town industries, specialized households, and other sectors in the planned development of foodstuff and livestock feed industries. Among the methods and experiences exchanged on the use by all jurisdictions of social forces to expand foodstuff and

livestock feed production and develop a livestock raising industry at the national conference of grain department and bureau directors in October 1984, the principle one was how to organize the peasants to process grain locally. Some provinces organized peasants at commodity grain bases to use their surplus grain to develop a local livestock raising industry to increase the production of meat, poultry, eggs, milk, and other foodstuffs. Outstanding achievements were made. For example, Tianchang County in Anhui Province used 126 million jin of grain kept in rural villages, and 390 million jin of forage grass to develop animal husbandry. As a result, 388,000 hogs were produced, 103,700 of which were sold to the state; 3.56 million poultry were raised, more than 710,000 of which were sold to the state, and 4.96 million jin of fresh eggs were produced. An average of more than seven chickens and more than 51 jin of fresh eggs per household were sold to the state. Anlu County in Hubei Province helped peasants breed aquatic products, and operate distilleries, flour workshops, sugar mills, and beancurd workshops, which used 117 million jin of grain retained in rural villages between January and August 1984. This increased earnings by 11.7 million yuan, an average of more than 25 yuan per member of the agricultural population. At Wangzhuang Village in Qufu County, Shandong Province, the eight member family of CPC branch secretary Chen Xianming [7115 3807 2494] contracted 12 mu of fields on which they produced 15,000 jin of grain in 1983. After keeping some wheat for their personal consumption and for sale to the state, they used most of the remaining nearly 10,000 jin of corn and dried sweet potatoes to raise livestock. They sold 3,200 jin of pork, 1,100 jin of chicken eggs, and raised three donkeys from which they earned 4,600 yuan, thereby increasing their income by 75 percent more than they would have received from selling the grain directly. This classic example shows that when rural villages have a substantial amount of surplus grain, there are many ways of allowing peasants to process and use grain locally for very high economic returns. Grain departments in other places developed lateral relationships, entering into joint dealings in grain and oil foodstuffs and livestock feed processing with other units, which also produced quite good results.

Generally speaking, China's food and livestock feed industries have just started. Their production capacity is small, and the kinds, amounts, and quality of their products does not satisfy people's needs. As production develops and people's earnings increase, the public's requirements for food and non-staple food products increases daily. People are no longer satisfied to have enough to eat; they want to eat better. In order to satisfy needs as the people's standard of living gradually rises, planned development of refined and extensive processing of grain, and the gradual development of many kinds of health foods and convenience foods, as well as the production of livestock feeds to advance production of high protein meat, poultry, eggs, dairy products, and fish will be necessary as grain supplies permit. This is a

new task that grain departments face under the new circumstances that awaits their continued efforts.

Section III. Readjustment and Reforms Bringing About a New Grain Situation

Readjustment and reform of China rural economic system, rural economic policies, grain policies, and grain flow system in the wake of the 3d Plenary Session of the 11th Party Central Committee very greatly emancipated rural productivity. Rural production, which had long been a source of concern, attained all around development. The grain production and the procurement and marketing picture were very good as new and unprecedented changes occurred.

A. Successive Bumper Harvests With a Dramatic Increase of Social Commodity Grain

In 1978, grain output stood at 609.5 billion jin. By 1982, it broke the 700 billion mark for the first time to reach 706.9 billion jin. In 1983, output was 774.6 billion jin in overfulfillment 2 years ahead of schedule of the Sixth 5-Year Plan target of 720 billion jin. In 1984, it broke the 800 billion jin mark to reach a new peak of 814.6 billion jin. The 6 year average incremental increase was 5.1 percent. Taking 1953 as the base year, during the 25 years from 1954 through 1978, the annual average incremental increase was 2.44 percent. There was also a very great increase in terms of per capita output of grain nationwide. In the 25 years from 1954 through 1978, as a result of the fairly rapid increase in population and the slow development of grain production, grain output increased by only 1 jin per capita per year. By 1984, per capita output was 791 jin, a 155 jin increase over 1978. During the 6 years from 1979 through 1984, grain output increased by 25 jin per capita per year.

The rather rapid development of grain production and the very great achievements in China during these several years, which occurred despite a reduction in the grain field area, are largely attributable to increases in yield per unit of area. As grain production increased, cash crop production was not adversely affected. Instead, a favorable situation occurred in which grain and cash crop production promoted and speeded growth of each other in a benign cycle. Even though the area sown to grain in 1984 was 115.56 million mu less than in 1978 as a result of readjustments to the structure of agricultural production, by making the most of advantages in suiting general methods to specific circumstances, and by practicing intensive farming and scientific farming, grain yields per unit of area increased. In 1984, the average yield per unit of area was 481 jin. This was 144 jin more than in 1978 for a 43 percent increase, which was faster than the increase in gross output. The 1984 cash crop growing area increased from the 9.6 percent of the farm crop area of 1978 to 13.3 percent. Output of cash crops increased tremendously, and animal husbandry also developed fairly rapidly. Comparison of 1984 with 1978 showed a 189 percent increase in cotton output, a 128 percent increase in oil-bearing

crop output, a 37 percent increase in jute and ambari hemp, a 47 percent increase in flue-cured tobacco, and an 80 percent increase in the output of hogs, cattle, sheep, and goats. China became self-sufficient in grain, and it produced a surplus of cotton and other agricultural and sideline products. This was a wonderful accomplishment.

With the rapid expansion of grain production, rural villages had increasingly large amounts of surplus grain, and the commodity rate for grain increased enormously. In 1984, state procurement of raw grain (meaning purchases) stood at 258.9 billion jin, more than double the 1978 figure. In addition, commodity grain purchased through other channels, and transactions in city and countryside country fair markets brought the social grain commodity rate (as a percentage of grain output) to more than 30 percent, which was greater than any year in history. One point particularly deserving of attention was the year-by-year increases in commodity grain base counties. They sold ever increasing amounts of grain to the state, making a very great contribution to the country. During the 1950's and 1960's, no more than approximately 350 counties in areas in which commodity grain production was concentrated provided between 30 and 40 billion jin of requisition procurement grain (not including purchases at negotiated prices, and the same applies hereinafter). By 1983, the number of counties and banners in areas in which commodity grain production was concentrated numbered 943. They sold 147.9 billion jin of grain to the state, or 80 percent of the total amount of requisition grain purchased nationwide in a 340 jin per capita contribution. Grain rations for the peasants in these counties was satisfied, and except for increased use of grain in livestock feed, most of the increased output was commodity grain. In 1983, every peasant in 50 commodity grain base counties that the state had helped build provided the state with 598 jin of commodity grain (raw grain, and the same applies hereinafter) per capita, 1.3 times again as much as the nationwide 257 jin peasant per capita amount of 257 jin. The contribution to the state of large scale grain producing specialized households and key households, the support of which various jurisdictions had stressed, was also very great. In Datong County in Shanxi Province, specialized households and key households accounting for 7 percent of all peasant households provided the state with 75 percent of all the commodity grain from the whole county.

B. A Favorable Balance of Income and Outlay With Domestic Food Grains and Important Changes Occurring in Grain Allocation Between Provinces

As a result of the slow development of grain production during the 26 year period 1953 through 1978, conflicts between supply and demand for commodity grain were always fairly large. For 15 years, China showed a deficit between receipts and expenditures of grain. In only 11 years was there a slight surplus. By 1983, the long-standing situation of sales being greater than purchases

changed. In 1984, the grain situation was better when requisition procurement of trade grain amounted to 204.7 billion jin and sales amounted to 155 billion jin, purchases for the year being 49.7 million jin greater than sales. Total amount of grain in storage was 92 percent greater than in 1978. Very great changes also occurred in the allocation and transfer of grain. During the period, the amount of grain that surplus grain growing areas could provide for delivery increased greatly. In 1982 when grain contracting guaranteed to remain without change for 3 years was instituted, only nine provinces were able to deliver grain. A total of 3.2 billion jin was shipped. A total of 18 provinces, autonomous regions, and municipalities under direct central government jurisdiction needed shipments totaling 24.6 billion jin, the transfer shortfall amounting to 21.4 billion jin. By 1983, 19 provinces, autonomous regions, and municipalities under direct central government jurisdiction were able to ship grain, and they had slightly more than 47 billion jin of grain to deliver. Provinces, autonomous regions, and municipalities under direct central government jurisdiction needing deliveries declined to 10, and they needed deliveries of only slightly more than 13 billion jin. In 1984, a large number still had grain to deliver, but only a small number needed deliveries. Some areas that experienced an oversupply of grain had to resort to "citizen storage for the state," the peasantry being commissioned to look after it because of state inability either to store it or ship it because of a shortage of warehouses and transportation.

C. Notable Improvement in People's Grain Consumption in Both Urban and Rural Areas

As grain production increased year by year, the standard of living of the people in cities and the countryside improved substantially. For most peasants, grain stocks were more plentiful than previously, and grain rations for city residents were also generally greater than needed. The percentage of fine grain consumption also generally increased. In 1983, more than 70 percent of total state grain sales was fine grain (rice and wheat), a 2 percent increase over 1978. A survey conducted by the State Statistical Bureau showed a 519 jin per capita peasant grain consumption in 1983, 76 percent of which was fine grain, up 27 percent from 1978. Plentiful grain advanced development of the livestock raising industry, and the diets of both city and country people gradually improved. A survey conducted by the Beijing Municipal Statistical Bureau showed the following comparison of urban residents' consumption in 1983 versus 1978: a 26.8 percent increase in meat, a 19.6 percent increase in dairy products, a 186.7 percent increase in eggs, and a 65 percent increase in fish. For peasants consumption of meat increased 90.9 percent, eggs 292.6 percent, and fish 81.7 percent. Most non-staple foods are made from grain. When consumption is figured in terms of grain, Beijing's per capita gross consumption of grain (converted to raw grain) was 832 jin for city residents, up 229

jin from 1978. For the city's suburban residents, it was 772 jin, 49 jin more than in 1978.

D. The Stable Market Price for Grains

As a result of the consecutive year bumper grain harvests from 1979 through 1984, a substantial amount of grain went to city and countryside country fair markets. Prices remained fairly stable with some decline. Statistical data from 197 key country fair markets nationwide showed the market price of six major grains during December 1984 as being 18 percent lower than the average price for December 1979. This was one important indicator of the change for the better in the grain situation.

China is a big country with a large population relative to the amount of cultivated land. The country's 1 billion population has a very great need for grain, but the conflict between a large population and a small amount of cultivated land will continue. Therefore, this basic point should not be forgotten when the grain situation takes a turn for the better. In an overall sense, China's per capita grain consumption is not high; grain production is very much restricted by natural conditions; production is very unbalanced, and it is also not consistent. In the vast northwestern region, in north China, in parts of the northeast, in eastern Henan, in western Hubei, and in the border areas of Yunnan, Guizhou, and Sichuan provinces, the level of grain production remains very low. Every year some part of the country suffers one natural disaster or another, and the task of getting a surplus from one place to remedy a shortage in another is a complex one. The standard of living of the Chinese people has improved, yet it cannot be called high. This is particularly the case in "border, mountainous, old revolutionary base, minority nationality, and needy" areas where transportation is not readily available and natural conditions are poor. The problem of sufficient food and clothing has yet to be solved for some people. People clearly realize that despite the vast improvement in China's grain situation, grain is still not plentiful but rather only enough for a low level of self-sufficiency. Further improvement in the people's standard of living, and gradual changes in diet will require continued energetic development of grain production. It will be necessary to continue to persevere in carrying out a policy of "positively no slackening of grain production while actively developing economic diversification," continue to bolster grain production to insure steady increases in grain yields. While maintaining equitable price parities between grain and other agricultural and sideline products, increasing supplies of the means of agricultural production, increasing investment in agricultural production, and continuing to encourage peasant enthusiasm for production, it is also necessary to make new efforts. As steady advances are made in reform of the economic system nationwide, reform of grain procurement and marketing policies and of the grain administrative system must be carried out to meet needs in development of the total economic situation.

Agricultural Resource Scarcity and Effectiveness
40060650 Beijing JINGJIXUE ZHOUBAO in Chinese
18 Jun 89 p 2

[Article by Zhang Hongyu 1728 4767 1342: "Agricultural Resources; Shortage and Effectiveness—Several Assertions Regarding Resource Substitution"]

[Text] *In a large country such as China that has a population of 1.1 billion including 800 million peasants, agriculture is naturally a pillar of the state economy. However, China's agricultural economy has been consistently overburdened. If one cannot be optimistic regarding the future of agriculture, the main reason is excessive gloom about the future of resources.*

I. Resource Scarcity and Effectiveness

Increased material wealth is the essence of economic growth. The resources that promote increased wealth can be divided into two major categories: resources themselves and the overall productivity created by applying manpower to them. Regarding China's agriculture, resources to increase and develop are land, forests, grasslands, and water resources, all of which normally are scarce. It is even difficult to reproduce them in the short term. The sole "plentiful" element is pure labor, a social resource. Obviously, simple allocation of these scarce resources among the plentiful ones is no more than a numerical addition that is of little effectiveness. True resource effectiveness is found in a certain way of "exchanging manpower and natural materials." Since we cannot actually discuss agricultural growth apart from the resource situation, we cannot attain "high targets" in agricultural growth at the expense of further resource destruction.

A. Labor Resource Effectiveness

A shortage of arable land resources and ample agricultural labor can be said to be among the most basic characteristics of China's agriculture. Given that there are limits to the amount of arable land, reliance upon intensive labor cultivation production methods is a basic reason for the expansion of agricultural civilization in China over several thousand years. Under traditional agriculture, it is efficient to utilize agricultural labor. Here, the limit of effective labor use is when the marginal efficiency of labor is a value at which labor time opportunity costs are zero: It is rational to increase labor inputs until marginal productivity reaches this limit. In other words, traditional agriculture is always efficient provided that there is commercial labor input (in order to maintain production at the threshold point).

However, at issue in China at present is the shrinking arable land trend due to the pressure of a growing population. The ever-increasing "wealth" of rural labor productivity has brought about a straight drop in labor productivity since agricultural labor long ago surpassed land and capital capacity under traditional agricultural conditions. It is clear that it is inefficient to rely on

substituting labor for other inputs for agricultural growth. Moreover, this is normally accompanied by negative marginal output. What is even more worrisome is that many years of neglecting profound study on how to substitute labor resources has resulted in two tendencies in agriculture. One, there is no choice but to have "five people do the work of three" under limited space in which to absorb an "unlimited labor supply" because of the lack of a macroeconomic mobile labor market. Two, under the slogan that the sole prerequisite for the industrial mix is to "take grain as the key link," reliance on labor resources to expand arable land while destroying forests and filling in lakes has created a negative ecological effects that in turn lead to negative economic effects. And we need not even mention cases of "inverted substitution," such as substituting scarce resources for ample ones, blind mechanization, disregard of objective factors in how to promote so-called economies of scale, which still occurs today, and so forth.

B. Capital Resource Effectiveness

In agriculture today, it may be the case that nothing shows greater and clearer efficiency in terms of the substitution effect than capital. Among the factors basically checking agriculture today in China, there is a widespread scarcity of capital resources. A dual economic structure, the development of national industry, and overly urban-oriented policies have made the state not only lack sufficient capital for agriculture, but have also turned agriculture into a means of capital accumulation for national industry by way of various unequal exchange methods. Even now the problem remains to be thoroughly solved. Therefore, although the marginal efficiency of capital is normally rather high, it is tentatizing to achieve the extreme needs of agriculture: we can see but never touch it. Given the restraints of a scarcity of capital, rural economic growth has no alternative but to slant toward nonagricultural industries for higher economic returns. Thus, it is easy to understand that agriculture has been underheated and industry overheated in the last few years.

On the one hand, there is a clear substitution effect. On the other hand, there is extreme scarcity. This is a conundrum in China's agricultural capital resource options.

C. Technological Resource Effectiveness

The technological resource efficiency threshold point can have two variables: one in which the newly created production function makes the same quantity of resources produce even more commodities; and one in which resources are allocated according to a new method to produce a certain quantity of commodities, resource consumption is minimal, and unit prices are as low as possible. There will be benefits to increased total volume by using relatively advanced technology, whether individual or combined elements. This is technological resource efficiency.

Demand for agricultural technology has come about in order to substitute ample and relatively cheap resources for scarce and high priced ones. Another factor in the demand is to change the relative scarcity of resources.

Since the fundamental way out of resource limitations lies in scientific and technical progress, then it is reasonable to look to technology for progress in agriculture. To a great extent, the technology and resource substitution effect explains the fact that Japan, a small country that lacks arable land, and Israel, another small country that lacks water, have become highly advanced agricultural nations. Of course, effective machine technology and material technology both rely on a base of solid capital accumulation and capital substitution.

What is the status of China's agricultural technology resource efficiency? Omitting costly technology substitution from the discussion, we have splendid scientific and technical results, although they are often lost in the higher echelons because of a lack of diffusion of agricultural technology to personnel. On the one hand, we lack economic power. On the other hand, there is insufficient transformation. This is a basic cause of the disjointed substitution of technological resources in China's agricultural resource substitution.

In sum, there are only two paths open for China's agriculture: One is to greatly improve ample resource effectiveness. The other is to substitute ample for scarce resources as much as possible. And, whether improving resource effectiveness or substituting labor, capital, and technical resources, we should always adhere to changing labor accumulation into capital accumulation, ultimately moving this to technological accumulation. This is a way for China to overcome resource limitations.

II. Riddles in Resource Options

A. Analysis of Labor Resources

In traditional agriculture, peasant labor is manifested mostly in simple labor output. So-called labor intensiveness is often seen in the multiplication of pure physical strength. But in modern agriculture, peasant labor output is most often seen in integrated productivity, the trend to "capitalize" and "technologize" together with other resource inputs.

With regard to resource allocation in traditional agriculture, it is effective. Modern agriculture's utilization of pure labor resource substitution made China's average yield per mu double in the late 19th and early 20th centuries. Moreover, the development of irrigated agriculture, multiple crop indexing, and rather high per unit area yields are enough to prove that China's traditional agriculture is effective in terms of resource allocation. The problem lies in the increasingly serious burden on agriculture to support rapid economic growth, the extraction of industrial primitive accumulation, and in particular the great multiplication of the population, which is barely checked. To a certain extent, progress in

national industrialization sounds a death knell for the future of traditional agriculture.

Therefore, manpower resources of relatively high marginal productivity are an important impetus for agricultural growth. According to the theory of the economist Schultz, the slow economic growth of poor economies generally is not due to the low effectiveness of allocating traditional agricultural production factors. The key to growth lies in obtaining and effectively using certain modern agricultural production implements, which hinges on peasant mastery of them.

According to economic development laws, as the quality of manpower rises, substitutability of manpower and capital resources will occur, promoting and accompanying the growth of economic power. Since we already understand that insufficient manpower and capital limit modern agriculture, why then do we still condone short-term behavior throughout society, including our eagerness for quick success and instant benefits in economic growth? It would be better to forgo "lowest-level manpower and capital" in exchange for the greater effectiveness to be had from basic training. Shouldn't we ponder the phenomena of skyrocketing illiterates, smaller numbers of students continuing in school, and school dropouts among the reserve agricultural labor resources? China's number one riddle regarding manpower is a lack of skilled resources, and in particular, a lack of mechanisms for fostering manpower and capital resources.

B. Analysis of Technological Resources

Considering the application of traditional agricultural techniques in China, we have practically reached the stage of "perfection." However, as a great number of relatively cheap techniques have been discovered and applied, on the one hand, propagating and applying technical resources causes them to approach "the limits of effectiveness." On the other hand, even more expensive costs cause technological effectiveness to drop, and even bring about certain negative effects.

Substitutability of technological resources is generally realized via the two stages of discovery and application. Regarding traditional agriculture, it is constrained by limits on manpower resources. In general, what it lacks is discoveries. Compared to modern agriculture, difficulties often lie in the application following technological discoveries. Phrased in economic terms, substitution of technological resources can be effective only by applying them. Another riddle in resource options is that since modern technological resources are lacking, capital resources to support the application of technology are in even shorter supply.

C. Analysis of Capital Resources

Taking chemical fertilizer, a typical capital substitution item, in order to analyze China's agricultural capital resources, the item manifests two characteristics: one, the marginal return of chemical fertilizer is low; two,

chemical fertilizer production itself faces more questions than production capital alone. It also faces the issue of scarce resources.

For many years now, scarce resources have always been the major issue in regard to the chemical fertilizer industry. Relevant departments estimate that in order to meet the demand for chemical fertilizer in agriculture by the year 2000, the state must invest approximately 75 billion yuan between 1990 and 2000, or about three percent of the state's gross capital construction investment. However, in actuality, investment in the chemical fertilizer industry during the Sixth 5-Year Plan and the Seventh 5-Year Plan accounted for only 0.95 percent and 1.1 percent, respectively, of state gross capital construction investment. Enormous scarcity and scarce capital limited chemical fertilizer production, thus affecting the substitution effect of chemical fertilizer for land.

And, with regard to energy resources used in chemical fertilizer production, natural gas is a basic ingredient in producing nitrogenous fertilizer. However, China's per capita reserves correspond to only 0.15 percent of global per capita reserves. There are ample phosphorous fertilizer resources, but they are concentrated in marginal areas, so development costs are too high, and sulphur and potassium are generally "scarce." Therefore, the chemical fertilizer industry has only two options: import substitution or increased capital input. Either option entails great problems.

In addition, the materialization of capital inputs faces corresponding difficulties at every turn.

Economic growth requires additional capital input, but capital input is restricted by overall national economic growth. Without a doubt, in the transition to modern agriculture, the vicious circle of scarce resources is the greatest issue when choosing capital resource options.

From this analysis it is easy to see that substituting labor, capital, and technology is definitely not a single factorial substitution effect. They often combine to make up composite productivity and substitute for scarce resources. How to allow for ample growth of agricultural commodities is an essential condition for the multifaceted state economy. Understood from this angle, solving the riddles facing agricultural resource options is a job for more than agricultural departments alone.

III. Expensive Substitution Costs

Single factorial growth of production factors in agriculture may also promote agricultural growth. But we cannot escape the fact that population increases have an impact on the reduction of arable land. There are ample labor resources, although labor resource human capital is scarce. Given that there have been no breakthroughs in technological resources, the intensive utilization of labor is constrained. Capital resources are constrained by the weakness of national economic power, even though China is not inferior in terms of the level of natural

resources. The riddles surrounding resource options mean a bleak future for China's agriculture.

Agricultural departments' economic policy and research centers made a study in which they compiled China's grain output situation from 1966 to 1985. During this period grain output rose from 208.78 million tons to 383.60 million tons, up 83.7 percent. Due to lost arable land, which affected the area of land under cultivation, 43.146 million fewer tons of grain were produced. Due to increased productivity, grain output was up 12.873 million tons, accounting for 13.6 percent of the total increase. Capital increases raised grain output 205.09 million tons, or 117.3 percent of the increased grain yield. At the same time, capital increases were clearly faster than volume increases. Capital increased 1 percent while output rose only 0.414 percent. From 1966 to 1985, agricultural capital reserves rose 3.1 times, averaging 7.67 percent per year, while annual grain output grew only 3.25 percent. The ratio between the two was 1:2.36. From this we can make at least three hypotheses: One, in the transition from traditional to modern agriculture, capital is a main factor affecting agricultural growth. Two, the law of capital remuneration decrease objectively exists, urging that capital increase should clearly be faster than the growth of other production factors, which is manifested in leading the force of growth. Three, modern agriculture increasingly shows a high substitution trend for capital resource inputs. If we lack sufficient capital reserves, it is very difficult to support this model. This is the greatest challenge facing China's agriculture. The agricultural costs of capital substitution are expensive. Since 1985, agriculture has wavered for 4 years. To a great extent, it shows that agriculture faces the dilemma of high substitution. Taking grain for example, it led to recessionary elements: One, grain prices have been rather low for a long time (contract prices), while capital and material prices continuously rise, leading to higher agricultural costs. The marginal efficiency of grain input and output continues to drop. Two, it is impossible for those engaged in grain production to match the incomes of those in the secondary and tertiary industries, since income for these crops is clearly lower than those of cash crops. "Dual-track system" pricing is undoubtedly one of the arch criminals behind the "slump." However, in the last 2 years noncontracted grain prices have suddenly risen, showing that the era of low-cost grain in China has ended. A high substitution, high cost agricultural age is at hand.

Apart from resource transformation and recycling created by regional socioeconomic and natural conditions, efficiency is another matter. Generally speaking, China faces the difficulties of having lost its resource advantage in agriculture long ago and its scarce resource exchange rate is low. Agricultural growth has two future paths: One is to follow Japan's footsteps and enter the "high-subsidy" agricultural age. The other is to greatly increase agricultural imports and engage in import substitution. Both options imply paying high development costs. Subsidies are a kind of economic measure existing in the agriculture of practically all countries. Whether in developed or developing countries, although labor productivity

and agricultural yields both increase to various degrees, agricultural costs also rise, and falling economic effectiveness is a common matter. To use price subsidy policies actually means using capital in lieu of resources, although the results can be completely different. Subsidies are given to producers, which may bring a stable growth mechanism and solid material base to agriculture, but, conversely, they may also cause consumer inflation, falling production, and may destabilize agriculture. When using the resource exchange mechanism, resource-scarce countries utilize the international market, improving their earning capacity from agricultural commodities, exporting economic commodities, importing grain, and carrying out import and export substitution. These also are resource options. Actually, over the last several decades, China has found it very difficult to thoroughly overcome its fate of importing grain to make up for shortages. Moreover, there is a contradiction between resources strictly holding in check the low flexibility of grain supply and demand while the population increase. It is very difficult to make economic readjustments within the scope of China's limited resources, making our grain departments use import substitution. The best option beneficial to improved resource allocation is to use China's superiority in ample labor resources, obtaining more international agricultural surplus by resource renewal and exchange, and using low-cost international agriculture to counterbalance China's high agricultural costs.

Beijing Wheat Purchases

40060695d Beijing JINGJI CANKAO in Chinese
2 Aug 89 p 1

[Summary] As of 30 June, Beijing had procured 54,670,000 kilograms of contracted wheat, exceeding the original task by 9.3 percent.

Ningxia Livestock Production

40060695e Yinchuan NINGXIA RIBAO in Chinese
15 Jul 89 p 1

[Summary] As of 15 July, the number of large animals in stock in Ningxia was 760,000, a 1.4 percent increase over the same period in 1988; the number of hogs in stock was 580,000, a 9.35 percent increase; the number of sheep in stock was 3,850,000, a 1.28 percent increase; meat output totaled 24,034 tons, a 2.45 percent increase; egg output was 14,230 tons and milk output was 10,540 tons, increases of 56.94 percent and 49.71 percent respectively.

Provincial Ramie Area, Prices Reported

40060695c Beijing NONGMIN RIBAO in Chinese
21 Jun 89 p 2

[Summary] In 1989 the ramie area in China will be 2,950,000 mu, a 21.8 percent decline from 1988. The ramie area in Hunan Province is 870,000 mu, a 25.7 percent decrease from 1988; Hubei 650,000 mu, a 16.5 percent decrease; Sichuan 700,000 mu, a 20 percent decrease; Anhui 180,000 mu, a 34 percent decrease; and Guangxi 150,000 mu, a 200 percent increase. Estimated gross output of ramie in 1989 is over 230,000 tons, a 22.3 percent decline from 1988. In Hunan and Sichuan the procurement price for every 50 kilograms of ramie is 150 yuan, a 25 percent increase over 1988; in Hubei the procurement price is 120 yuan, a 20 percent increase; in Anhui the procurement price is 130 yuan, an 18.2 percent increase; and in Guangxi the procurement price is 150-170 yuan, the same level as 1988.

EAST REGION

Anhui Commission Studies CPC Plenary Session Guidelines

OW2407051889 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 2 Jul 89

[From the "Provincial Hookup" program]

[Text] The advisory commission of the Anhui Provincial CPC Committee held its sixth plenary meeting in Hefei on 30 June.

Comrade Hou Yong, vice chairman of the provincial advisory commission, presided over the meeting. Comrade Cheng Guanghua, also a vice chairman of the commission, made a speech on the study and implementation of the guidelines adopted by the 4th Plenary Session of the 13th CPC Central Committee.

Members of the commission pointed out at the meeting that the 4th Plenary Session of the 13th CPC Central Committee, which was held after a decisive victory in checking the turmoil and in quelling the counterrevolutionary rebellion had been scored, was a very important meeting in CPC history. They pledged to support with resoluteness the scientific analysis on the current national political situation and the various resolutions adopted by the plenary session.

They deemed as entirely necessary the readjustment of the party central leadership decided upon at the 4th Plenary Session of the 13th CPC Central Committee, and gave their complete support for the election of Comrade Jiang Zemin as general secretary of the CPC Central Committee and the partial reshuffle of members of the central leading organs. They expressed the belief that the new central party leadership certainly will lead the whole party and the people across the country in upholding the four cardinal principles, in persisting in the reform and opening to the outside world, and in continuing to promote China's socialist modernization drive. They pledged to rally closely around the party Central Committee and to maintain steadfast political and ideological unity with the party Central Committee.

After reviewing the turmoil and the counterrevolutionary rebellion in Beijing over the past 2 months, they said: At the crucial juncture concerning the survival or extinction of the party, Comrade Zhao Ziyang made mistakes in supporting the turmoil and in splitting the party. The nature and consequences of his mistakes are extremely serious.

In light of the reality in the political and ideological front, they pointed out: Comrade Zhao Ziyang's grave mistakes are by no means accidental. After he took charge of the work of the party Central Committee, he actually abandoned the four cardinal principles, assumed a passive attitude toward the principle against bourgeois liberalization, and paid no attention to the construction of the party and spiritual civilization nor to

political and ideological work. In this way the party workstyle and the general conduct of society was aggravated, the party's prestige in the eyes of the masses was lowered markedly, and the party's fighting capacity was weakened considerably. Comrade Zhao Ziyang failed to live up to the expectations of the party and the people. The plenary session made a timely and entirely correct decision to dismiss him from the general secretary and other posts of the CPC Central Committee and to continue to look into his case.

There was a consensus that Comrade Deng Xiaoping's important speeches are the programmatic documents for reviewing the past, thinking about the future, and achieving unity in the thinking and understanding of the whole party. They unanimously pledged to study diligently Comrade Xiaoping's important speeches and the documents of the 4th Plenary Session of the 13th CPC Central Committee, and to grasp the essence and enhance the understanding to unify the thinking. They also pledged to continue to resolutely implement the line, principles, and policies formulated by the party since the 3d Plenary Session of the 11th CPC Central Committee in line with Comrade Xiaoping's demands and the guidelines set forth by the 4th Plenary Session of the 13th CPC Central Committee by upholding steadfastly the four cardinal principles and persisting in the policy of reform and opening to the outside world.

The participants also pledged themselves to respond to the Plenary Session's call and to strive to do a good job in carrying out the four major tasks, especially devoting more attention to intensifying party building and the ideological and political work.

They unanimously pledged to support the provincial party committee actively in carrying out its work, to offer good political advice and assistance to the provincial party committee, and to offer their share in fulfilling the tasks put forth by the 4th Plenary Session of the 13th CPC Central Committee. The participants also pledged to promote Anhui's modernization drive, reform, and opening to the outside world.

Attending the meeting were 35 members of the provincial advisory commission; Cui Jianxiao, the commission's vice chairman; and Standing Committee members Xu Shiqi, Bai Luke, Zhang Guiru, Ou Yuanfang, and Qin Guangyu. Comrade (?Wu Lianmin) also attended the meeting.

Students Urged To Study Deng Speech

OW2407003589 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 2 Jul 89

[Text] The provincial educational commission issued a circular on arranging summer holiday work for primary and secondary schools. First, the circular called on educational departments and party committees in all localities to organize cadres, teachers at primary and secondary schools during summer holidays to earnestly

study the important speech of Comrade Deng Xiaoping to commanders above the corps level of the martial law enforcement troops in Beijing, the communique of the 4th Plenary Session of the 13th CPC Central Committee, and relevant documents on stopping turmoil and on quelling the rebellion, so as to further raise understanding on the nature and cause of turmoil and rebellion and the important significance of quelling the rebellion. It called on all to clearly distinguish between right and wrong and unite the thinking on Comrade Deng Xiaoping's speech. The circular stressed linking study with reality in ideological and educational work. Particular attention should be paid to summarizing and reflecting the achievements and mistakes made in ideological and political work in primary and secondary schools; raising the consciousness of upholding the four cardinal principles, strengthening and improving work on ideological and political education in schools and on comprehensively implementing the state's educational policy. The circular called on schools to link the reality of stopping turmoil and quelling rebellion and stress relevant guidelines of Comrade Deng Xiaoping's speech, and of the communique of the 4th Plenary Session of the 13th CPC Central Committee to students when they report to school during the summer holidays and when holding outdoors activities. Schools are urged to carry out education on patriotism and on the current situation among students with the love for the Communist Party, socialist system, and for the People's Liberation Army as main contents. Study sessions and activities on social practice should be organized to promote education on patriotism. Primary and secondary school students should be organized to take part in the activities of supporting the Army and giving preferential treatment to families of revolutionary army men and martyrs.

Lastly, the circular pointed out: Schools must take the initiative in contacting families of students and relevant units in society and properly arrange students' leisure activities, appropriate rest and labor, and study sessions during the summer holidays; as well as guide students to take part in healthy and useful cultural and sports activities.

Li Zemin Outlines Goals for Year
OW2507073389 Hangzhou ZHEJIANG RIBAO
in Chinese 1 Jul 89 pp 1, 3

[Excerpts] The 3-day 2d (enlarged) Plenary Session of the 8th Zhejiang Provincial CPC Committee concluded in Hangzhou yesterday afternoon.

Yesterday's session was presided over by Ge Hongsheng, deputy secretary of the provincial CPC Committee.

On the basis of the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and the realities in Zhejiang, Li Zemin, secretary of the provincial CPC Committee, put forward five suggestions on performing soundly and with greater efforts the tasks facing us:

First, party organizations at all levels must quickly organize themselves to relay and study the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and implement these guidelines in all their undertakings. Although the rebellion at present has been quelled and the overall situation is stable, there are still a myriad of misgivings in the minds of cadres and people. The task to unify thinking is still very important and requires a lot of arduous and painstaking work. We must never underestimate the importance, complexity, and arduousness of the work to unify thinking. [passage omitted]

Second, we must thoroughly suppress the turmoil and counterrevolutionary rebellion and do a better job in stabilizing the situation. We have scored a decisive victory in the struggle to quell the counterrevolutionary rebellion in Beijing, but the plotters, organizers, behind-the-scenes directors, and thugs of this rebellion will not accept their defeat lying down. We must raise our vigilance and carry out the task to ferret out counterrevolutionary rebels until the very end. [passage omitted]

Third, we must earnestly strengthen our efforts to uphold the four cardinal principles and the struggle and education against bourgeois liberalization. On this issue, we must give much thought. We have paid the price in blood for this upheaval and must draw a lesson from this painful experience. We must correct our mistakes of irresolution and inconsistency in upholding the four cardinal principles. We must employ the four cardinal principles as the basic ideology to educate the people, the students, and every cadre and party member. [passage omitted]

Fourth, party organizations at all levels must pay close attention to party building, including party ideology, party style, and party organization. They must uphold the party's leading role, improve the party itself, and insist on enforcing strict party discipline. While pursuing reform, opening to the outside world and economic development, they must provide instructions on Marxism, Leninism, and Mao Zedong Thought; socialist and communist ideologies; party program, party Constitution and party line; and our general and specific policies throughout the whole party to improve the quality of party members. [passage omitted]

Fifth, we must continue to pay close attention to and do a good job in economic work. We must resolutely implement the policies for reform and opening to the outside world, make further summation of our experience, and correct our guiding ideologies in economic work. We must do a good job in improving the economic environment and rectifying the economic order, overcome the difficulties facing us through every possible means, prevent the economy from sliding, and strive for a balanced and coordinated development in the national economy. We must do a good job in the following areas of our economic work for the latter half of this year:

1. Work hard to safeguard the people's livelihood and continue to stabilize commodity prices. [passage omitted]

2. Devote major efforts to improve agriculture and strive to score a bumper harvest. [passage omitted]

3. Earnestly reorganize the mix of industrial products and strive for a steady growth in industrial production. [passage omitted]

4. Open up wider to the outside world and strive to increase exports. [passage omitted]

5. Resolutely implement the measures to improve the economic environment and rectify the economic order. [passage omitted]

Comrade Li Zemin said in conclusion: Currently, the tasks ahead of us are many and heavy. We must strengthen leadership unity at all levels. Leading cadres must respect, understand, trust, and support each other. Old comrades and old cadres are the party's valuable assets. They are rich in fighting experience. We must learn from old comrades, allow them to fully exercise their role, and strengthen the unity between old cadres and young and middle-aged cadres. We must respond to the call of the 4th Plenary Session of the 13th CPC Central Committee and under the leadership of the party Central Committee, build Zhejiang so it is culturally, ideologically, and materially more advanced by relying firmly on workers, peasants, and intellectuals as well as patriots from every circle.

Zhejiang To Replace Old Armed Forces Cadres
OW2507081989 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 20 Jul 89

[Text] A provincial meeting on training full-time cadres for the people's armed forces departments was held in Shaoxing on 18 and 19 July. The meeting concentrated on studying and discussing questions concerning readjustment and exchange of cadres of the people's armed forces departments of counties and city districts, and questions of how to fill grassroots people's armed forces departments with sufficient full-time cadres.

Full-time cadres in the people's armed forces departments are becoming too old due to lack of replacements. There are many vacancies in grassroots people's armed forces departments.

The meeting said: From now on, full-time cadres of the people's armed forces departments may be selected from among the army cadres transferred to civilian posts, selected from among the cadres of other departments, or hired. At the same time, it is necessary to pay attention to normal succession of full-time cadres of the people's armed forces departments and replace the older ones in a planned way.

Governor Zhao Zhihao Calls for Good Government Work

SK2407012989 Jinan Shandong Provincial Service in Mandarin 2200 GMT 21 Jul 89

[Text] At the provincial government work conference which was held on the afternoon of 21 July, Governor Zhao Zhihao called on responsible persons of governments at all levels to act in line with the party's demands, guide the government functionaries to foster a firm and clear-cut stand, to work hard and not be upset by criticism, to conduct arduous struggle, to work for the benefits of the people, to win glory for the party, and not to disappoint the party's heavy trust and people's wishes.

In his speech, Governor Zhao Zhihao touched on six issues:

1. Use the guidelines of the 4th Plenary Session of the 13th party Central Committee to unite with the ideology and actions of all people throughout the province, from the highest to the lowest levels.

2. Carefully organize economic construction and comprehensively fulfill this year's plans.

3. Continue to improve the economic environment and rectify the economic order, and do a good job in reform and opening up.

4. Implement the principle of invigorating Shandong with science and education in a down-to-earth manner.

5. Further strengthen the building of socialist democracy and the legal system.

6. Focus the work on establishing ties with the masses, and strengthen the self-cultivation of governments.

In touching on using the guidelines of the 4th Plenary Session of the 13th CPC Central Committee to unify the ideology and actions of all people throughout the province from the highest to the lowest levels, Zhao Zhihao stressed: In studying and implementing the guidelines of the 4th Plenary Session, we should always and unswervingly adhere to the line, principles, and policies defined since the 3d Plenary Session of the 11th CPC Central Committee, and firmly organize the people to implement the provincial party committee and government's strategy of opening the eastern part of the province to the outside world, developing the western part and combining the east with the west to achieve a common development, and the principle of invigorating Shandong with science and technology. It is necessary to adhere to the four cardinal principles, adopt a clear-cut stand to oppose bourgeois liberalization, conscientiously review the work over the past few years, sum up experience and lesson, and consciously persist in grasping reform and opening up with one hand while grasping ideological and political work with the other, including dealing strict blows to economic offenses.

Zhao Zhihao pointed out: Governments at all levels should carefully organize economic construction and strive to comprehensively fulfill this year's national economic plan. In agriculture, we should strengthen management over autumn crops, and actively carry out an autumn production campaign, and try by all possible means to reap a bumper harvest during the year. In industry, we should focus the work emphasis on readjusting structure, strengthening management, and raising economic results.

In the foreign economic and trade work, we should try in all possible ways to overcome difficulties caused by the counterrevolutionary rebellion and strive to achieve new progress. In the campaign to increase production, practice economy, increase revenues, and reduce expenditures, we should further mobilize the people to carry out the campaign until greater achievements are made. In family planning work, we should focus the work emphasis on preventing early marriage, early and multiple births, and transforming the ideology of units lagging behind.

Zhao Zhihao stressed: We should make continued efforts to improve the economic environment, rectify the economic order, and carry out reform and opening up. The rural family-based output related contract responsibility system that was promoted in the past, the enterprise contract responsibility system, and the plant director responsibility system, the principle of taking public ownership as the mainstay while allowing the coexistence of various forms of ownership, the market system that allows different ownership systems, diversified management methods, and multiple circulation channels and reduced circulation links, and the orientation in favor of invigorating circulation should all remain unchanged. The powers that the province has already delegated to the lower levels will not be reclaimed.

Zhao Zhihao pointed out: In using science and education to invigorate Shandong, we should realistically grasp scientific and technological work as the strategic emphasis and key link of economic construction, and strive to implement the spark plan, the torch plan, the bumper-harvest plan, and the prairie plan. The task of top priority in educational work is to further straighten out the teaching orientation, and solve the issue of who should be trained.

Zhao Zhihao stressed: To strengthen the building of socialist democracy and the legal system, governments at all levels should consciously receive supervision from the People's Congresses and their Standing Committees. We should extensively conduct social consultation and dialogue activities, continue to carry out activities of allowing the lower level to appraise the higher level and the masses to appraise cadres. In building the legal system, we should particularly solve the problem of not observing already enacted laws and failing to strictly observe laws and to duly punish law breakers, strive to

do a good job in establishing ties with the masses, and strengthen self-cultivation of governments.

Zhao Zhihao pointed out: In the second half of this year, governments at all levels should handle well the following eight important tasks:

1. Strictly investigate and handle cases involving law and discipline violations of administrative organs.
2. Strictly control organizational setup.
3. Strictly control the construction of office buildings, auditoriums, and hotels.
4. Resolutely check the trend of using public funds to entertain guests or send gifts.
5. Resolutely save and reduce unnecessary spendings.
6. Make continued and conscientious efforts to screen and consolidate companies.
7. Further consolidate market order.
8. Do a good job in readjusting and consolidating rural grassroots organizations.

Shanghai Relays CPC Guidelines

*OW2507090589 Shanghai City Service in Mandarin
0900 GMT 19 Jul 89*

[Text] The Shanghai Municipal Committee of the Communist Party of China on 19 July held a forum to relay to various democratic parties, mass organizations, and well-known nonparty personalities the guidelines of the recent eighth plenary session of the fifth Shanghai Municipal CPC Committee.

Wu Bangguo, deputy secretary of the municipal party committee, pointed out emphatically: Turmoil and riot also occurred in Shanghai. At present, the struggle is not yet over, and the factors that caused the turmoil and riot have not yet been eliminated. We must not lower our guard. Our task of unifying thinking and understanding in Shanghai remains arduous.

Wu Bangguo also expounded a proposal on implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee. The proposal was adopted in principle by the eighth plenary session of the fifth Shanghai Municipal CPC Committee.

He said: In the course of investigating and ferreting out bad people, we should strictly distinguish between two types of contradictions of different nature, set a clear demarcation between crime and noncrime, win over and unite with as many of the masses as possible, and strike a blow at a handful of bad people.

He urged the democratic parties to share weal and woe with the Communist Party and work hard in a down-to-earth way to help accomplish Shanghai's tasks.

Authorities Seize, Destroy 9,000 'Indecent' Videotapes in Shanghai

OW2507085989 Shanghai City Service in Mandarin
0900 GMT 18 Jul 89

[from "News and Weather" program]

[Text] More than 9,000 indecent and illegally released videotapes were crushed to pieces and destroyed by burning on the spot at the Culture Center in Jingan District, Shanghai Municipality, this morning. This was another important action taken recently with regard to the culture market in this municipality.

According to the Shanghai Municipal Audio and Videotape Management Department, the destroyed videotapes were seized at railway stations, bus stops, wharves, and other public places by public security, industrial and commercial, and audio and videotape management departments this year. These videotapes were not only pornographic and obscene in contents but also of poor quality.

While the videotapes were being destroyed this morning, Vice Mayor Liu Zhenyuan said: To rectify Shanghai's culture market in an all-round way, we have over the past period of time adopted a number of stricter measures for the management of books, magazines, videotapes, culture, and entertainment. In days ahead we will further strengthen the managing of spiritual and cultural traditions and the management of service and fundamentally purify and stabilize Shanghai's culture market as soon as possible.

NORTHEAST REGION

Jilin Establishes First Private University

OW2807212389 Beijing XINHUA in English
1403 GMT 28 Jul 89

[Text] Beijing, July 28 (XINHUA)—A privately run university has been set up in Changchun, capital of northeast China's Jilin Province, according to today's PEOPLE'S DAILY.

Songhuajiang University, the first of its kind in the province, was built with funds generated by private donations.

This year it will enroll students in specialties such as foreign languages, foreign trade, finance and economics, law and business management. It presently offers a two year course of study.

This university will not be responsible for job assignment as is the case in state-run universities and colleges in China.

NORTHWEST REGION

Suggestions for Improving Minority Nationality Education

40050581 XINJIANG SHEHUI KEXUE [SOCIAL SCIENCES IN XINJIANG] in Chinese
No 3, 15 Jun 89 pp 53-57

[Article by Muhate'er (Uygur nationality): "Persisting in Reform and Opening Up To Develop Nationality Education"]

[Text] The party's 13th congress proposed that the development of science and technology and of education be put in a top position, so that economic construction will be suited to the trends of reliance on scientific and technological progress and of improving worker quality, and it stressed that in the "100-year grand plan, education is the root." Recently the CPC Central Committee's Politburo held a meeting at which it specially studied the question of educational reform and development. At the same time, Comrade Deng Xiaoping pointed out that the slowness of educational development was the biggest mistake that had been made in the past 10 years. All of this shows that there will be a big development in our country's education. Without the slightest doubt, minority nationality education will certainly be developed on a larger scale. In our Xinjiang, minority nationality education is the focal point of the entire region's education. How to promote and ensure the development of this key point is a question that we should conscientiously explore. The cadres, education workers, and masses of the minority nationalities should even more seriously think about the overall issues in this undertaking. This article discusses the views of some people and is open to everyone.

In their verbal opinions for this article, many comrades thought that a fairly large input of funds would be necessary for a major development of minority nationality education and to enhance basic education, middle-level specialized education, technical education, and adult education, while appropriately developing the quantity of higher education in order to get a tight grip on quality and make quality improvement the center of development for all types of education, to improve the quality of teachers in schools at all levels and of all types, and so forth. All of these views are, of course, correct and I fully endorse them. However, I think that they look at the issue from the angle of external conditions for the development of minority nationality education in Xinjiang, and conclude that there must be a special, new major development of this education. In addition to the necessity for good external conditions, it is necessary to have internal conditions suited to this development. If either kind of conditions is lacking, there cannot be a true major development. What, then, are the internal conditions that Xinjiang must have for the major development of its minority nationality education? To understand this question, I think we should proceed from the fact that Xinjiang is a multinationality region, as well as

from the reality and characteristics of the minority nationalities in Xinjiang and their education in order to seek an answer.

Xinjiang is a region in which minority nationalities predominate. Among minority nationalities, the Uygur nationality is the one that exercises regional autonomy throughout the region. The Kazak, Hui, Mongolian, Kirgiz, Tajik, and Xibe nationalities exercise nationality regional autonomy in the areas they inhabit. At the same time, throughout Xinjiang, people of 39 other nationalities live in scattered areas or on a very small scale. In addition, living in Xinjiang are people of the Han—Chinese—nationality, who comprise about 38 percent of the autonomous region's total population. This composition of Xinjiang's nationalities, as well as the situation in which the minority nationalities exercise nationality regional autonomy, determines that Xinjiang is a region in which many spoken and written languages coexist and are used in different scopes. Education is knowledge that is transmitted mainly by spoken and written language. Therefore, the coexistence of many spoken and written languages and their use is bound to be reflected in education. For example, the Uygur, Kazak, Mongolian, Kirgiz, Xibe, and Russian nationalities have their own schools in which teaching is conducted in their own nationality's language or in a commonly used language; the Han, Hui, and Man nationalities conduct education in the Chinese language. The people of other fraternal nationalities, besides using their own language or, currently, another one, use either the Uygur, Chinese, or Kazak language when conducting education, because their populations are small. This produces the fairly widespread phenomenon among the fraternal nationalities in our Xinjiang, of dual or multiple languages. In the languages used when sitting for a college entrance examination, there appears the characteristic that we often call "nationality tested in the national language" and "nationality tested in the Chinese language." In "nationality tested in the national language," there has also appeared a phenomenon in which certain minority nationality examinees use the languages of other minority nationalities. This is a prominent characteristic of the fraternal nationalities and their education in our Xinjiang. In our study of the question of the development of the education of minority nationalities in Xinjiang, we cannot ignore this reality.

In the education of minority nationalities in Xinjiang, there is another reality or characteristic, namely, that its foundation is poor and its development unbalanced. Since the founding of New China, this education has been developed at an unprecedentedly high speed, which is a fact obvious to all and which is universally acclaimed. However, the education of the minority nationalities in Xinjiang in old China was extremely backward, with an illiteracy rate of more than 90 percent. At that time, most of the people of minority nationalities in our Xinjiang believed in the Islamic and the Buddhist religions. To propagate their religious doctrine and to train professional religious personnel, these

religious organizations ran some classical text schools. Because of the relationship of faiths, the Islamic and Buddhist believers at that time not only looked upon the mosques and Buddhist temples as places of religious activity, but also looked on them as centers for imparting culture. This was especially true in the agricultural and pastoral areas. The accumulated sediment of this consciousness is very deep in people's thinking. Therefore, after liberation the starting point for the development of minority nationality education in Xinjiang was very low, and the education of some minority nationalities could be said to have begun to develop from zero. People's consciousness of education and its development was very poor. To this day, in certain areas, particularly in agricultural and pastoral areas, there still exist between the Islamic classical text school and the conventional school some contradictions concerning the origin of life. There are still cases of family heads of teenagers letting their children go to school in the daytime and then after school making them go to a classical text school to study the classical texts. This practice is very detrimental to the development of minority nationality education, and it especially hinders universal compulsory education.

Among the minority nationalities in Xinjiang, the Uygur, Hui, Xibo, Uzbek, Tatar, Russian, Man, and Daur nationalities live mainly in cities and towns and in rural areas; the Kazak, Mongolian, Kirgiz, and Tajik nationalities live mainly in pastoral and mountain areas. Because of the differences in communication and cultural conditions, and because of the differences in each area's transmission of knowledge and information, generally speaking, education of the minority nationality people who live in cities and towns is relatively more developed than the education of minority nationality people who live in rural areas, and the education of minority nationality people who live in rural areas is relatively more developed than the education of minority nationality people who live in pastoral and mountain areas. This is the case between minority nationalities and is also the case within a single nationality. But, because the degree of religious influence on minority nationalities varies, the degree of difference that it causes in educational development in inhabited areas also is not absolute. For the above two reasons and for other reasons, the development of education for each minority nationality in Xinjiang is unbalanced. According to 1987 statistics, with regard to the 12 minority nationalities who have lived in Xinjiang for a fairly long time, of every 1,000 people, the number of persons in elementary school, junior middle school, senior middle school, technical secondary school, and universities and colleges, respectively, is at a maximum of 1,608.90, 853.72, 413.60, 481.84, and 118.67, and at a minimum of 860.33, 213.90, 73.47, 12.31, and 4.43. Some minority nationalities, although living in pastoral or mountain areas, of every 1,000 persons, have 502.56 persons on average in the above school levels. Some minority nationalities who live in cities and towns and in rural areas, of every 1,000 persons, have an average of only 363.742 persons in the above-mentioned school

levels. The above data illustrate the unbalanced nature of education of minority nationalities in our Xinjiang, and also illustrate the constraints on the development of minority nationality education of the remnants of the old thinking as well as other reasons.

Based on the above understanding of mine of the history and the present state of minority nationality education in Xinjiang, I go on to conclude that, to develop minority nationality education, besides seeking reasons in external conditions and taking measures, it is even more necessary to seek reasons in minority nationality education itself and take measures. From the above analysis we can clearly recognize that sticking to old ways, sealing off, and excessively stressing ignoring the study of the Chinese language are obstacles that cause the development of minority nationality education in Xinjiang to be unbalanced and poor in quality. Therefore, I think that to have sustained development of minority nationality education in Xinjiang, to gradually solve the problem of imbalance, and especially to make distinct progress in the quality of education, the key is to persist in reforming and opening up, to break away from traditional ideas about running schools in which old ways are stuck to and in which one stands still and refuses to make progress, as well as to realize that using only a nationality language in testing means developing a narrow nationality consciousness in that nationality's education and running schools in an open manner and trying to bring out broad talents is one important way to effectively develop minority nationality education and improve the quality of the nationalities.

People often say that the culture and education of China's minority nationalities lags behind the culture and education of the Han nationality, and they also stress that this lag was caused by history. This judgment is correct. However, if we overemphasize historical reasons and do not seek reasons in reality and in the minority nationalities themselves, I think this gap could widen. Generally speaking, because of its brilliant, splendid past, the Chinese nation, in the minds of certain persons, bears the burden of history and is comparatively conservative. In reality, because of the restrictions of their spoken and written languages, minority nationalities are slower than the Han nationality to accept new ideas, new concepts, new sciences and technologies, and their field of vision is also narrower. This causes learning in minority nationality education to be outdated and its range to be narrow, and, thus, naturally it is very difficult to improve the quality of teaching. The reform and opening up of minority nationality education touches on many aspects. Here I will only discuss my individual opinions from the angle of helping students and teachers in minority nationality education receive as fast as possible new cultural and scientific knowledge and thus broaden their field of vision.

My first opinion is that, in order to reform the existing system in minority nationality education, the practice of

having minority nationality students and Han nationality students study in the same school, help each other, and jointly make progress should be encouraged and popularized.

At the present time, in the education of the common middle schools in our autonomous region, separate schools run in nationality languages are becoming more and more prevalent, and minority nationality middle schools are also becoming more and more prevalent, to the extent that in some areas the Hui nationality, which uses the same language, have separate schools from the Han nationality, and fewer and fewer nationality students study in the same school. People have different views on which way is superior and which way is inferior. My understanding is that separate schools are detrimental to the development and improvement of minority nationality education, because we are now in a new era of reform, opening up, and building socialist modernization. In this era, following development of the planned commodity economy throughout the country and in regions where minority nationalities predominate, the people of each nationality need to break through the barriers of nationality, make wider and deeper contacts, open up and activate areas, master new cultural and scientific knowledge, and link up and transmit information as fast as possible. This is a trend that cannot be changed by man's will. In the long run, the purpose of school education is to lay the foundation for all of this. But the existing educational system in our region artificially separates the students of nationalities, particularly those of minority nationalities and those of Han nationality. I think this separation is undesirable and that the students of all nationalities should study together in the same school. I think there are the following advantages to having them study in the same school: First, teenagers of all nationalities would study together and compete with each other in their studies, which would be advantageous for studying each other's language, so that the teenagers from their youngest days would gradually master more than one instrument for studying new cultural, scientific, and technical knowledge. Second, the teachers of all nationalities would exchange experiences and situations in teaching, transmit to each other information about various kinds of knowledge, and jointly discuss problems, which would be beneficial in raising the level of specialization and the quality of teaching of teachers of all nationalities and which would also be beneficial to linking up their thoughts and feelings and promoting friendship. Third, teenagers of all nationalities, from their youngest days, would be in contact with each other and would study together, which would naturally promote mutual understanding and enhance friendly relations, which in turn would be advantageous for cementing unity among all nationalities. Fourth, teachers and students of all nationalities would study, work, and live together, and by making comparisons would get a correct understanding of the strong and weak points of their own and other nationalities, which would be advantageous for mutually studying and for stimulating proper ideas

about self-improvement, self-confidence, and self-respect, and for enhancing the consciousness of forging ahead. Fifth, it would be advantageous for the concentrated use of educational funds, so that the same amount of investment would bring fairly large social benefits. And so on and so forth. These are things that separate school systems either accomplish with difficulty or do not accomplish at all.

Some comrades believe that putting into practice a system of having teachers and students of all nationalities teach and study in the same school would weaken the cultural traditions of minority nationalities, particularly of those with small populations, and would hinder the minority nationalities' exercise of the right to use their own spoken and written languages. I think that this is an unnecessary worry, because joint schools do not mean joint classes, and joint schools do not limit use of their own spoken and written languages by nationality teachers and students. Over the past several decades, in all the minority nationalities in Xinjiang, there have been some students who have studied with students of nationalities that use the common Chinese language. Most of them have now become leading cadres and backbone elements in all fields in our region. Although they have a fairly high level of proficiency in the Chinese language, the influence of their own nationality's culture on their work and life has not vanished, and their capability in using their own nationality's spoken and written language has not been adversely affected. On the contrary, precisely because they have mastered the Chinese language—this instrument for interchange and study—modern science and technology has been brought into their own nationality's culture, their own nationality's culture has been enriched, and the quality of their own nationality's culture has been improved. The Xibe nationality is one of the minority nationalities who have lived in Xinjiang for a fairly long time and who have a small population. When they first came to Xinjiang, they numbered only about 3,000 persons, and they have lived in Xinjiang for more than 220 years. The great majority of them can speak two or more languages. This nationality's own culture and spoken and written languages not only have not vanished, but on the contrary have enjoyed a big development. They are now one of the minority nationalities in Xinjiang with the most developed education. The above facts convincingly prove that the worries of the above-mentioned persons are unnecessary. Therefore, I suggest and recommend joint schools for many nationalities, particularly for minority nationality and Han nationality teachers and students; and that an effort be made to run the existing joint schools well, displaying their superiorities, and to sum up and popularize the experiences of joint schools, so that multinationality joint schools become a symbolic and promotional factor for spurring the common progress, development, prosperity, unity, and mutual aid of all nationalities.

My second opinion is that we should further enhance schools that give instruction in minority nationality

languages and teach the Chinese language to students in classes and grades in the schools, so that students in these schools, on graduation from senior middle school, will have initially attained a general level of proficiency in hearing, speaking, reading, and writing the Chinese language, and so that junior middle school graduates will also have a rough proficiency in the Chinese language.

The Chinese language is the main language of the Chinese nation, and it is our country's general instrument for ideological and cultural interchange between people of all nationalities. Internationally, it also has a certain scope and, following China's daily growing international influence, this scope will certainly expand. Some time ago the United Nations made the Chinese language one of its five formal working languages. In various countries and regions of the world, there are a number of "sinologists" and "China experts" who speak and write Chinese. Over the past several years, more and more people in various countries and regions have begun to study the Chinese language; some foreign periodicals call this the "Chinese language craze." In addition, there are more than 20 million Overseas Chinese and foreign citizens of Chinese origin spread all over the world who are primarily of the Han nationality. Most of them speak and write Chinese, and among them are people counted in the tens of thousands who are influential scientists, engineers, and entrepreneurs. All of them exert a worldwide influence on the spread of the Chinese spoken and written language. From this it can be understood that the study and mastery of the Chinese spoken and written language by China's minority nationality people is of significance for enhancing these people's contacts in China and abroad.

Comparing China's minority nationalities with the Han nationality in economics and culture, we see that there still exists a definite gap; this is an extant fact that cannot be denied. This fact was caused by both historical and practical reasons. I think that among the historical and practical reasons there is the common factor of the language medium. That is to say, aside from other reasons, the minority nationalities are slower than the Han nationality to understand the outside world and to study advanced science and technology, and one of the reasons for this is the language barrier. Because China understands changes in world developments, collects scientific, technological, and cultural information, studies things, and applies the new results of science and technology—all through the instrument of interchange, the Chinese language—only by waiting until the above-mentioned things are translated into the Chinese language and then from that language into the minority nationality languages can they be understood, studied, and applied. This naturally, for a given period of time, effectively makes them extremely backward as compared to the Han nationality. Also, in the above aspects the Han nationality is extremely backward as compared to developed countries, thereby causing the minority nationalities to be even more backward.

In view of the above, it is a matter of pressing urgency to implement in minority nationality education a general policy of reform and opening up and of teaching the Chinese language. Some people in society think that if the minority nationality students study and master the Chinese language they will forget their origins. I think this is a parochial psychology. If a person learns more than one language his field of vision will expand and he will have one more instrument through which to absorb knowledge. For the progress, development, and prosperity of any nationality, and for the improvement of that nationality, it has every advantage and no disadvantage. Therefore, I think that schools and grades and classes that teach in the minority languages should resolutely and thoroughly implement the decision made by the region's party committee and people's government, namely, in areas where conditions exist, to offer classes in the Chinese language in the third grade of elementary school; and in areas where conditions do not yet exist, conditions should be created as fast as possible to start Chinese language classes, and also that teaching in the Chinese language should be persisted in and should get actual results. At the same time, I also suggest that elementary schools in cities and towns offer Chinese language classes in the second grade. Because minority nationality children who live in cities and

towns generally have a certain foundation in the Chinese spoken language before starting school, in the first grade they should study their own nationality's spoken and written language. In the second grade, while continuing this study, it is feasible to offer classes in the Han language, which will be beneficial for the consolidation and improvement of the knowledge of the Chinese language that they already possess. In brief, all types and levels of schools should make the Chinese language a required course in order to create language conditions that are as good as possible for the students' future study and employment.

Above are my two views on the reform and opening up of minority nationality education. Because of my own limitations, it was difficult for me to avoid bias, and I ask everybody for their criticisms and comments. Naturally, in the course of this reform this or that kind of problem could appear. Therefore, in the reform, from beginning to end, we should enhance the education of teachers and students of all nationalities in the Marxist view and theory of nationality and in the party's nationality policy. We should also consult more with the masses of people, cadres, intellectuals, and high-level figures of all nationalities; obtain the understanding of all quarters; jointly expedite matters; and do things well.

Social Movements 'Likely To Spring Up' in Future

40050586a Taipei TZULI WANPAO in Chinese
27 Jun 89 p 14

[Article by Chai Sung-lin 2693 2646 2651: "Lively Expression of Ideas"]

[Excerpts] [Passage omitted] Looking at the future of Taiwan, first, because of further political democratization, freedom will have solid guarantee. Second, because of universal education and a well-developed communications system, the people's educational standard will rise and their critical ability will be enhanced. Third, because of economic development, the people's material needs will be fairly well satisfied, and they will go beyond the limits of a poverty-stricken culture to pursue nonmaterial goals. These are the fundamental reasons for social movements. Furthermore, in recent years, Taiwan has undergone social changes that have given rise to many social movements. Many factors contribute to these movements: The population is concentrated in the cities and there is greater mobility, leading to disintegration of those rules that apply to a primarily rural society. Industrial development has destabilized the class system and has allowed greater mobility between different trades, occupations, and even professional statuses. The trend toward a more pluralistic society means that people no longer pursue a single and extreme goal. Working in the government is no longer considered the only outlet for those who excel at school. One can succeed and gain respect in any kind of work and in any field. Advancements in the transportation and communications systems have turned ours into a small world. Regional boundaries have disappeared. Everyone is affected by everyone else in the international realm. Finally, division of labor has become more specialized and much finer, and this often turns the difference in interests into antagonism.

Looking closely at Taiwan's future, many elements are on a collision course, and social movements will flourish. Although many people regard the farmer's movement, the native people's movement, and the student movement as major social movements, if we look at them closely, we see that the farmer's movement is the result of agriculture becoming a part-time occupation and of the aging of full-time farmers. What the farmers are fighting for is nothing more than their own welfare, and although the movement may be a useful issue in political races, it will hardly develop into a full-scale agrarian movement. The native people's movement has the same problem. Discounting those who have moved to the plains, there are fewer than 100,000 hill people who conscientiously identify with their origin. Theirs is but a problem of lifestyle and weakness of economic position rather than discrimination under the law. They are not fighting for social justice nor altruistic causes. They will continue to fight for their welfare, but it will not develop into a general social movement. Student movements usually are either originators or supporters of other social movements, but they have never been independent movements. On a smaller-scale, they are pursuing

their own welfare, and their grander objective is to join with other social movements. The students' antinuclear protest and environmental protection demonstrations in Europe and the U.S., as well as the Korean and Chinese students' fight for democracy have gone beyond student issues.

If we forecast the future on the basis of the indications before us, the following eight social movements are most likely to spring up in Taiwan:

1. Prodemocracy movement: Democracy is not attained by revolution alone. There will be continuous effort to change the present structure of allocation of political power and eventually make democracy the way of life in Taiwan.
2. Freedom movement: The existing so-called economic freedom, and so on, are but a branch of freedom. Real freedom is the exorcism of the feeling of being controlled by others and the attainment of self-emancipation.
3. Human rights movement: This is not just to attach equal importance to political human rights, economic human rights, cultural human rights, and social human rights, but to respect the human rights of people in inferior places.
4. Women's movement: This movement differs from traditional women's movements in that it does not seek to help women gain the same status as men today, but to liberate both sexes from rigid traditional roles and to build a new society.
5. Labor movement: To forge new wage relations, we need to change the economic system and the allocation of wealth by making every effort to render economic justice. It is not just a matter of settling wage disputes.
6. Consumer's movement: All social movements serve their respective classes of people. The consumers' movement is no exception. In the future, we will no longer dwell on production and consumption and will turn instead to molding individual lives.
7. Education reform movement: There are many schools in Taiwan, but the quality of education is questionable. The system suppresses the development of human nature and does not nurture the complete citizen. Education reform is something everybody will demand.
8. Environmental protection movement: Because of deterioration of our living space, adjusting the relationship between man and nature, cherishing earth's natural resources, reestablishing environmental ethics, and changing our lifestyle to protect the environment will be an everlasting social movement.

KMT Criticized in Aftermath of Tiananmen Incident

40050572b Taipei TZULI WANPAO in Chinese
10 Jun 89 p 14

[Article by Lin Shuang-Pu 2651 7175 0008: "Trampling Resources, Self-Respect of Taiwanese People Underfoot Again"]

[Text] First, the Chinese students and masses who protested in search of freedom and democracy deserve our support, but we must also support the Taiwanese students and masses who have protested in search of freedom and democracy. Otherwise, we would be attending to trifles and neglecting the essentials, and our actions would be completely meaningless.

Second, the Chinese regime, which killed unarmed students and common people, is worse than an animal. Of course we must criticize and protest, but in the "228 Incident" of 42 years ago, we already saw a Chinese regime carry out the same sort of repression in Taiwan. Is this not also to be criticized and protested in the same manner? Should we not criticize and protest in the same manner against the fact that a single street protest

spurred the KMT to resort to violent repression in killing unarmed students and common people?

Third, the Chinese regime was this violent and cruel 42 years ago, has continued to be so for the last 42 years, and will remain so in the future. It was this way on Chinese soil, and is the same on Taiwanese soil. Is it time for the 20 million Taiwanese to come coolly to the realization—see the light once and for all—that the only path to survival for Taiwan is independence?

Fourth, just how different is the true nature of the KMT from that of the communist regime? Are the dictatorships of the old men, and the privileges enjoyed, the same? The KMT makes the criticism that the communist regime is not based on popular support. So where is the KMT regime's base of popular support? The fact is that the KMT, which must curry the favor of the Chinese Communist regime, turned in a very weak effort when it came to supporting the students in China, and, in addition, the KMT manipulated the people, including many ignorant students, to obtain donations of blood and money. Once again, they have trampled on the resources and self-respect of the Taiwanese people.

Official Says Hong Kong Trade Remains Normal
HK0607151889 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1108 GMT 5 Jul 89

[Report by Huang Siduan 7806 0934 4551: "Michael Sze Says Hong Kong Trade Has Not Been Affected Much by the 'June 4' Incident"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 5 Jul (ZHONGGUO TONGXUN SHE)—Hong Kong Trade Department Head Michael Sze stated that although the confidence of overseas investors has been affected by the Beijing "June 4" event and risks in mainland investments have been made greater, he believed that Hong Kong would not be affected much.

Michael Sze stated, after presiding over the opening ceremony of the 3d International Costume Jewelry Exhibition, that based on the present situation, the prospects for Hong Kong's second-quarter trade are still uncertain and depend on the changes in the mainland situation. As for exports, the United States has remained a relatively stable market. There has not been much change in this aspect. As for entrepot trade, this year's growth rate is expected to be lower than last year, but a healthy level can be maintained.

Michael Sze said that he believed that the possibility of the United States revoking China's most-favored-nation status is not great. He estimated that trade between the two countries will be maintained.

Michael Sze stated in his speech at the exhibition that, because of the rising protectionist mood in Hong Kong's overseas markets, Hong Kong must promote product diversification and extend new markets to attain a balance for the economy and to avoid relying too heavily on too few industries. Costume jewelry have a great potential for development.

According to information from the trade department, Hong Kong is an important supply base as well as market for costume jewelry. In 1988 Hong Kong imported 6 billion and exported 11.3 billion Hong Kong dollars of costume jewelry. Compared with 1987, the figures represent respectively a growth of 42 and 9 percent. In the first 4 months this year, the total value of costume jewelry exports accounted for roughly 1.8 billion Hong Kong dollars, 14.6 percent up from the same period last year. Data shows that Hong Kong is the 5th largest jewelry export region and occupies the top position in costume jewelry exports.

May Exports to PRC Reach Record \$3.9 billion
HK1207022389 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST)
in English 12 Jul 89 pp 1, 7

[By Richard Roy]

[Text] In the month before the Tiananmen Square massacre, Hong Kong achieved record export levels to China, up 25 percent from May last year and capping a five-month period in which domestic exports to China grew overall by 32 percent.

Hong Kong-made products sold to China in May this year earned the territory HK\$3.9 billion, bringing total China-bound exports since January to HK\$16.9 billion, Census and Statistics Department figures show.

Taiwan's purchases of Hong Kong-made goods were up by 14 percent to HK\$323 million and Japan's by 11 percent to HK\$885 million.

These were the star performers, in terms of value growth, among Hong Kong's export markets which, worldwide, produced a visible trade deficit of HK\$2.9 billion, or six percent of the value of imports this May.

Leading the buying downturn were Australian, West German, British and U.S. customers who respectively bought 12, 10, six and four percent less of what Hong Kong industry had to offer than they did the previous May.

At the same time, May imports from the territory's major suppliers rose by value, in some cases by spectacular percentages.

Singapore exported 47 percent more to Hong Kong, earning just short of HK\$2.1 billion. Italy's sales were up 36 percent at HK\$836 million, China's up 33 percent at HK\$16.2 billion, Japan's up 23 percent at HK\$8.4 billion and Taiwan's up 19 percent at HK\$4.6 billion.

The re-export side of Hong Kong's trade showed a better picture with transshipments to West Germany, Italy and the U.S. in May rising substantially in value terms.

Hong Kong-West Germany re-exports were HK\$1 billion for the month, up 68 percent from May last year; those to Italy were HK\$405 million, up 60 percent; and re-exports to the U.S. rose 45 percent to HK\$5.4 billion.

Expressed by commodity sector, garments led Hong Kong's May domestic exports by far, at just under HK\$5 billion nearly double that of the next best-selling sector, jewellery, gold and silverware, which sold HK\$2.3 billion-worth to world markets.

Garment exports for May were up three percent on May 1988, whereas jewellery shipments showed a decrease of three percent.

Biggest growth in the domestic export sector was achieved by yarns and fabrics, up 10 percent to HK\$1.5 billion.

The latter was countered, however, by a 21 percent increase in imports for May valued at HK\$6.9 billion.

In garments, imports rose by a whopping 47 percent to HK\$3.4 billion, but re-exports in the same category were up by 55 percent to HK\$2.9 billion.

The United States, meanwhile, said it had reduced its trade deficit with East Asia and the Pacific (EAP) for the first four months of this year by just more than U.S.\$1 billion.

The January-April EAP-U.S. trade deficit this year totalled U.S.\$25.3 billion against last year's U.S.\$26.5 billion.

U.S. imports from the region for the period, however, were still up, by five percent to U.S.\$58.6 billion, countered by a 15 percent rise in exports to the EAP valued at U.S.\$3.3 billion.